

OVERSEAS NEWS

Mitterrand set to announce his candidacy

BY PAUL BETTS IN PARIS

THE FRENCH presidential election will gather full steam this week when President François Mitterrand finally announces his long-awaited decision to run for a second seven-year term.



François Mitterrand: suspense to the end

Mr Mitterrand confirmed he would announce his decision this week in a video-recorded message to a rally of 15,000 Socialist sympathisers at Le Bourget, outside Paris, yesterday.

Although he did not specifically say whether he would seek a second mandate, Mr Lionel Jospin, the Socialist secretary general, and several other Socialist leaders made it clear that Mr Mitterrand, who remains the hot favourite to win the election in the latest opinion polls, was expected to run again.

The betting is that Mr Mitterrand will announce his formal decision to seek another mandate on Wednesday. In his message, Mr Mitterrand said he was anxious to see his country unite together "to win the challenges" facing France this century.

The formal entry of Mr Mitterrand into the election campaign as the Socialist candidate will mark a new phase in the contest dominated so far by the battle between the two right-wing candidates, Mr Jacques Chirac, the Gaullist RPR Prime Minister, and Mr Raymond Barre, the former centrist prime minister, for the primary on the right.

Mr Chirac has now extended his lead over Mr Barre, with the latest opinion polls giving him about three points more.

Mr Chirac was yesterday the star of a huge US-style rally at Vincennes on the other side of Paris attended by more than 50,000 RPR supporters as well as several Gaullist ministers and Mr Johnny Hallyday, the popular

French rock singer who used to back the Communists. Mr Edouard Balladur, the Finance key political strategist, also succeeded in unsettling the Barreist camp last week by floating the idea of forming one big conservative party in France.

But even before formally declaring himself as the Socialist candidate, Mr Mitterrand has stolen the show so far in the campaign. His tactics of maintaining the suspense about his electoral ambitions to the very end have infuriated his right-wing opponents while keeping him in the lead in the opinion polls. A Liberation-Ilop poll at the weekend showed Mr Mitterrand winning 38.5 per cent of the votes in the first round of the election against 23.6 per cent for Mr Chirac and 21 per cent for Mr Barre. In the second round, Mr Mitterrand would lead Mr Chirac by 55.5 per cent to 44.5 per cent and Mr Barre by 54 per cent to 46 per cent.

The question now is whether Mr Mitterrand will be able to maintain his lead once he enters formally the presidential contest.

Opposition boycotts new Dhaka parliament

THE FOURTH parliament in Bangladesh's 17-year history was sworn in yesterday, but one bloc of members failed to appear. AP reports from Dhaka.

The parliament - its legitimacy already questioned because of evidence of a rigged election - is expected to be given controversial legislation to make the country of 108m people an Islamic state.

The 18 members of the Combined Opposition Party were not at the oath of office ceremony, but there was no explanation for their absence.

Despite its name, the so-called opposition bloc consists of 76 small parties which are loyal to the government of President Hussain Muhammad Ershad.

The Parliament was chosen March 5 in an election where there was evidence of vote-buying. Mr Ershad's Jatiya Party won 251 of the 300 seats.

The president told a religious gathering March 13 that he would offer legislation to amend the constitution to make Bangladesh an Islamic state.

But the opposition parties already have announced they will oppose the move.

Even Mr Jamaat-e-Islami Abbas Ali Khan, the leader of the fundamentalist Moslem party, denounced the proposal.

"This is a political gimmick by Ershad to perpetuate his rule," he said.

It has been suggested that Mr Ershad's call for an Islamic state is aimed at weakening his two chief opponents - both women - Ms Sheikh Hasina of the Awami League and Ms Khaleda Zia of the Bangladesh Nationalist Party.

Paris, Bonn differ on EMS change

BY DAVID MARSH IN BONN

DIVERGING VIEWS between France and West Germany over the need for changes in the European Monetary System, are likely to come to the surface in Bonn today, at the first full meeting of the newly established Franco-German Finance Council.

The Paris Government may use the meeting, linking Finance and Economy Ministers and central bank governors from the two countries, to press for further adjustments in the rules on intervention and credit facilities in the EMS.

The gathering, hosted by the Bonn Finance Ministry, is billed as an exchange of views and will not lead to any firm decisions. The body, which will meet every three months in future, will try to come up with ways of better harmonising French and West German fiscal and monetary policies.

The ministers and central bank governors may also seek to prepare a common position ahead of the meeting of the IMF's Interim committee in Washington next month.

The most contentious issue, however, is expected to be the EMS. France, backed by the other six full EMS countries, except West Germany and the Netherlands, wants to increase the obligation on strong currency members to expand their economies to counter any exchange rate strains in the system.

Mr Gerhard Stoltenberg, the West German Finance Minister, last week spelled out in a memorandum his strong misgivings about alterations in the EMS rules. He called for EC countries

to lift all exchange controls as a precondition for any eventual moves towards European monetary union.

The memorandum reflected closely the views of the West German Bundesbank, which has already voiced scepticism about the Franco-German Council.

The central bank's governing council has nominated its president, Mr Karl Otto Poehl, as a member of the bilateral body only under the condition that no decisions are taken which breach its monetary independence.

David Marsh sees a challenge to Britain in the new Finance Council Delicate problem for EC partners

WHEN the West German and French Finance Ministers and central bank governors sit down to dinner in Bonn tonight after the first session of the two countries' bilateral Finance Council, German officials admit to a sneaking worry that the food and surroundings may not be as good as in Paris.

That is not the only delicate psychological problem hanging over the first meeting of the group, which was established in January along with a bilateral Defence Council to intensify already close Franco-German political ties.

The Finance Council, which will assemble every three months, seems likely to be used by the French as a forum from which to persuade the West Germans to take more a more expansionary economic policy line.

That objective has already aroused strong misgivings in the Germans. On one of the key issues - French proposals for further development of the European Monetary System (EMS), Europe's nine-year-old exchange rate stabilisation scheme - there is plenty of room for disagreement between the two sides.

At the same time, however, efforts to promote further Franco-German policy alignment, in both the economic and the military and security fields, add up to a powerful challenge to the rest of Europe - and particularly in Britain.

Britain's refusal to join the exchange rate mechanism (ERM) of the EMS, together with the criticism by Mrs Margaret Thatcher, the Prime Minister, of the Franco-German Defence Council, are seen in both Bonn and Paris as pushing the French and Germans ever more closely into alliance.

Commenting on Britain's uncompromising non-membership of the ERM, underlined by the recent move to let the pound move well above its previous DM3 ceiling, a senior official in the Elysee Palace in Paris said last week: "If Britain has a negative position, the only way to advance is for the French and Germans to show resolve."

A very senior member of the Bundesbank is highly sceptical about French proposals for a further softening of the credit and intervention mechanism of the EMS, billed in Paris as essential steps towards eventual European monetary union.

But he says Britain's rejection of full EMS participation, together with the softer exchange rate regime enjoyed by Italy and non-membership by the new EC members, are inevitably changing the shape of the EMS away from a Europe-wide system.

There is a possibility that the EMS will change character, and will become just a vehicle towards French and German monetary union, he says.

Mr Thatcher, who is widely seen on the Continent as the chief impediment to a more "European" policy line by the British Government, is certainly not the only critic of the new Franco-German bilateralism.

Mr Jacques Delors, the president of the European Commission and a former French Finance Minister, believes creation of the Franco-German Finance Council may turn out to be a mistake. This is because it might increase West German resistance to be reformed into more expansionary policies - proving as a result ultimately counter-productive.

For different reasons, one well-respected ambassador in Bonn from one of West Germany's Christian Union (CUU) says: "Mrs Thatcher has to understand the psychology of Europe - not just the French on the grounds

that policy making in the enlarged EC has become more difficult.

"We have all the institutions in the EC to cope with economic policies... It is absolutely nonsense to say we can't come to policy coordination because of the Irish or the Greeks," he says. "Why don't they [the Germans] see that we could do all this by paying a more constructive role in the multilateral forums we have built up?"

In spite of these other noises of discontent, it is Mrs Thatcher's well-publicised scepticism about Franco-German alignment which has attracted particular criticism - most of it in private - from Bonn.

Her remarks after the Nato summit this month, where she called on West Germany to back fully western nuclear deterrence to defend its front-line position stemming from Hitler's days, has been criticised in Bonn as insensitive.

Mr Volker Bueche, a spokesman on foreign affairs for Chancellor Helmut Kohl's Christian Democratic Union (CDU), says: "Mrs Thatcher has to understand the psychology of Europe - not just the French on the grounds

Afghanistan elections called for next month

President Najibullah has called national elections next month in Afghanistan as the UN-mediated talks to end the nine-year-old guerrilla war there remain deadlocked, Remter reports from Islamabad.

The elections for a two-chamber parliament will be held from April 6 to 15, Kabul Radio said. One of the Western-backed Moslem guerrilla groups battling to oust Soviet troops in Afghanistan denounced the plan as a sham trick to deceive the world.

The radio, monitored in Islamabad, said Afghanistan's third parliamentary elections would be for 225 seats in the Council of Representatives (lower house) and 62 seats in the Council of Elders (upper house).

It quoted a decree issued by President Najibullah as saying an unspecified number of seats would be vacant for the rebels if they failed to contest now.

"It is another trick to deceive the (Afghan) people and the world opinion," the Hezb-e-Islami (Hekmatyar) party spokesman Shah Mahmud Muzaffar said.

"They are not a legitimate government, they don't have the right," the spokesman, whose party is one of seven groups in the main Pakistan-based guerrilla alliance, stressed.

Hezb-e-Islami's leader, Mr Gulbuddin Hekmatyar, who is also the current chairman of the alliance, threatened rebel attacks on military installations in the capital.

The elections were called as the UN-sponsored peace talks in Geneva remain stalled on questions of Soviet military supplies to Kabul and who will govern Afghanistan after an estimated 115,000 Soviet troops leave the country.

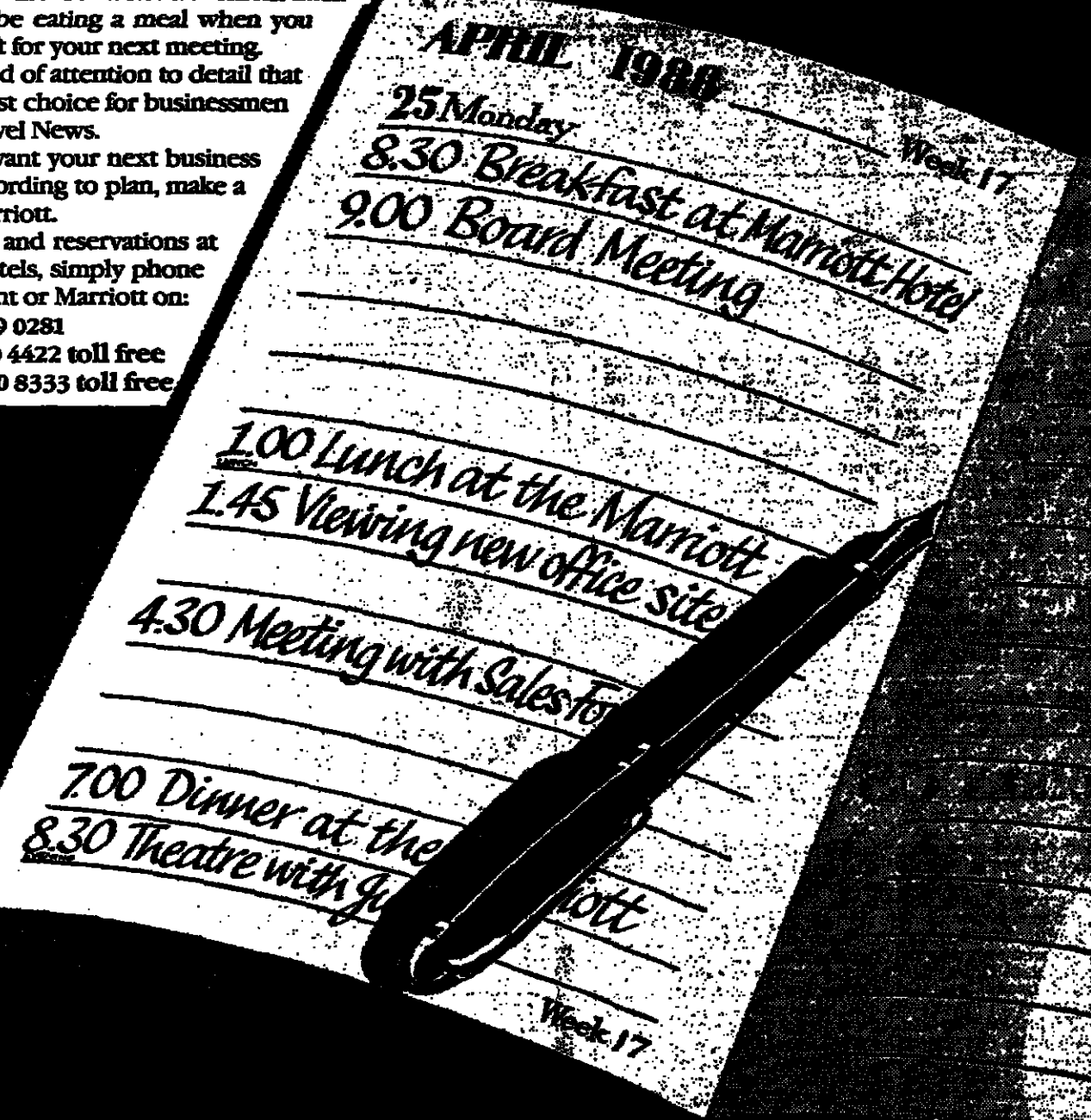
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KANSAS PRIMARY

Dukakis edges further ahead

BY ANATOLE KALETRKY IN WASHINGTON

GOVERNOR MICHAEL Dukakis edged ahead in the weekend in the race for the Democratic presidential nomination, scoring a narrow victory over the Rev Jesse Jackson and Senator Albert Gore in the party caucuses in Kansas.

Mr Dukakis and Rev Jackson were also emerging as clear front-runners in the much bigger Michigan caucuses to be held next weekend.

While Kansas with only 49 delegates will account for fewer than 1 per cent of the votes to be cast at the Democratic National Convention, Mr Dukakis' victory was a significant one because it showed his ability to command support in agricultural as well as industrial states.

"It's terrific. It is the first farm and agricultural state I have won and won decisively," Mr Dukakis said on Saturday night. The results were also very positive for Rev Jackson, who came a close second.

Mr Dukakis garnered 38 per cent of the local delegates, against Rev Jackson's 31 per cent and Mr Gore's 19 per cent. Mr Richard Gephardt and Senator Paul Simon both received negligible support and about 16 per cent of the delegates elected remained uncommitted.

At the Kansas votes were being counted, the Democratic



Dukakis: "It's terrific."

contenders moved on to Michigan - a key industrial state which will select more than 3 per cent of the national convention delegates and could prove decisive by eliminating one or more candidates from the race.

Mr Gephardt, whose protectionist policies are likely to have their strongest appeal among Michigan's huge motor industry work force, desperately needs a win in this state. However, opinion polls published in the Detroit News over the weekend showed Mr Gephardt, with 10 per cent support, floundering well behind Mr Dukakis and Rev Jackson, who polled 33 per cent and 31 per cent respectively.

If this pattern is borne out by Michigan's voters next weekend, Mr Gephardt's candidacy would

almost certainly be killed. Senators Gore and Simon would also become vulnerable if their support in Michigan proved to be negligible, as the polls have predicted. Each would then have only one chance left to restore his candidacy before the all-important New York primary on April 19.

Senator Gore would have to prove that he could win votes in the north by putting in a strong showing in Connecticut on March 29. Senator Simon would have to win in Wisconsin, a state which borders his native Illinois, to preserve any credibility.

In an indication that the Democrats themselves may feel that the race is drawing to a climax, the candidates in Michigan have not only restrained their earlier attacks on each other and have concentrated instead on criticising the Republicans and President Reagan.

Meanwhile, Governor Mario Cuomo, of New York, an extremely powerful Democratic politician who has now unequivocally denied any presidential ambitions, indicated that he may soon be ready to assume the role of kingmaker.

The field might well have narrowed sufficiently within the next "seven to ten days" for him to make a personal endorsement of one of the candidates.

UK to fight lonely battle on pollution

By Our Correspondent in Brussels

BRITAIN will be fighting a lonely battle today against most of the European Community in what is likely to be failed attempt by member states to agree on a series of moves to combat water and air pollution.

Lord Callaghan, the UK's new Environment Minister, is expected to come under severe pressure, at his first meeting in Brussels with his EC counterparts, from Mr Klaus Töpfer, the West German Minister chairing the session.

Britain is either the only member state or one of a small minority to be blocking almost every point on an agenda which is of supreme importance to an environmentally conscious Bonn Government.

It includes proposals for reductions in sulphur dioxide from power stations, a widely held cause of acid rain, which the UK argues are unrealistically stringent.

A separate scheme for halving exhaust emissions from small cars is also being blocked by the UK in a minority with France Italy and Spain.

They want laxer rules on the grounds that the present proposals would add too much vehicle prices, around 500 to cars with engines of up to 1.4 litres and that cheaper methods of cutting exhaust gas are on the way.

Young seeks EC approval of Rover takeover plan

BY WILLIAM DAWKINS IN BRUSSELS

LORD YOUNG, the British Industry Secretary, is to meet Mr Peter Sutherland, the European Commissioner responsible for competition policy, to seek agreement on the conditions for British Aerospace's planned takeover of Rover, the state owned car group.

The British Government is planning to write off large amounts of Rover's accumulated losses and trade debts to make the deal acceptable to British Aerospace, but this cannot go ahead under EC competition law without the go ahead from the Brussels authorities.

It is understood that the meeting, due to take place on Wednesday, is an initial negotiation at which the two sides will explore each others' thinking on the deal, rather than tackling the exact size of any debt write-off.

EC officials yesterday refused to comment on how much is involved, saying that was still under negotiation between the UK Government and the companies. Lord Young announced that he would need to negotiate with Mr Sutherland when the deal was first announced and the DTI officially notified the Commission last week that some form of state aid would be involved.

The meeting will be extremely sensitive because the Commission in theory has the power to block the deal if the planned write-off gives Rover an unfair advantage over its European competitors - and Brussels has in the past year taken an increasingly close interest in aid to

Renault, Alfa Romeo and Leyland Trucks. While a total block is extremely unlikely, the Commission has several times in the recent past forced beneficiaries of state aid to repay their subsidies - and that might provoke British Aerospace to drop the offer.

"If you write off Rover's debt, under Community law that amounts to a subsidy. You can't have that without the green light from the Commission," said an EC official. "The car industry is of particular interest to us. Everyone has difficulties, and there is a lot of overcapacity. If one car maker gets a lot of money and that distorts the market, we can't accept that," he said.

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OVERSEAS NEWS

Islamic conference faces conflict-laden agenda

CONFLICTS SHAKING the Moslem world from its Middle Eastern core to the distant Philippines look set to dominate an Islamic conference that opens in Amman today, Reuter reports from Amman.

The Palestinian uprising in Israel-occupied lands, the Gulf war, Afghanistan and the grievances of Moslems in Bulgaria and the Philippines hang over the five-day meeting of the 46-member Islamic Conference Organisation (ICO).

ICO foreign ministers will unite in condemning Israel for its handling of three months of protests, in which about 100 Palestinians have died, and will pledge money for the uprising, Arab diplomats said.

They said the ICO would also endorse the idea of an international UN-sponsored conference to supervise an Israeli withdrawal from the occupied West Bank and Gaza strip.

The Iran-Iraq war, in which the combatants - both ICO members - have rained missiles on each other's capitals for the past three weeks, may once again prove an intractable issue.

Iran, which boycotted last year's ICO summit in Kuwait, has sent a delegation headed by Sheikh Mohammad Ali al-Tajiri, an official at the Islamic

Guidance [Information] Ministry. Mr Tajiri said on Saturday that any ICO resolution should condemn Iraq as the aggressor in its 7 1/2-year-old war with Iran. An Iraqi delegate said Iran was still refusing peace.

The ICO may revive a mediation committee which has tried several times to make peace between Tehran and Baghdad.

Conference sources said the Iranian and Iraqi delegations clashed at a preparatory session on Saturday, when Iraq proposed that the ICO discuss reports of emigration by Iranian Jews to Israel via Pakistan.

Arab diplomats said Iran would also resist any move by Saudi Arabia to secure a resolution condemning last July's violence involving Iranian pilgrims in the Moslem holy city of Mecca.

Host country Jordan appeared to be concentrating on reaching an accord over Afghanistan, political and diplomatic sources said.

They said King Hussein was trying to persuade Pakistan to ease its demand for a transitional government to be set up in Kabul before Soviet troops begin their promised withdrawal.

Crown Prince Hassan visited Pakistan earlier this month in what the sources said was an unsuccessful bid to persuade

leaders in Islamabad to modify their position, which has helped to delay agreement at UN-sponsored peace talks in Geneva.

The sources said Jordan would sponsor an ICO resolution welcoming Moscow's pledge to pull its troops out of Afghanistan. A withdrawal would fulfill a long-standing demand of the organisation.

Afghanistan's ICO seat will be empty. Its membership was suspended after Soviet troops intervened in Kabul in 1979.

Moslem minorities in Bulgaria and the Philippines will try to use the ICO conference as a platform to press their demands.

A political source said Bulgarian vice-president Petar Tanchev argued his country's case during a visit to Jordan last month, drawing a private protest from the Turkish Embassy.

The Philippines Government has also mounted a diplomatic campaign to prevent Moslem rebels seeking autonomy in southern islands of the Philippines from winning full ICO membership.

The Moro National Liberation Front says it has collected signatures to back its application to join the pan-Islamic group, where it has had observer status since 1974.

First Israeli killed in Palestinian protests

by Andrew Whitely in Bethlehem, occupied West Bank

SERGEANT Moshe Katz yesterday became the first Israeli to die in the Palestinian uprising. The 23-year-old reservist was on guard duty in Bethlehem when he was shot in the head by a pistol-carrying gunman, who succeeded in escaping a wide dragnet thrown over the area.

Over a hundred Palestinians have been killed over the past 15 weeks, either by soldiers or by Israeli settlers. But until yesterday no Israeli had been seriously hurt by demonstrators, who have preferred to rely largely on stones, slingshots and other primitive weapons.

The death marks a milestone in a conflict showing all the signs of settling down into a long drawn-out struggle. Inevitably, it will also strengthen the hand of the large number of Israelis who argue that the army has adopted too lenient an approach to suppressing the unrest.

Mr Yitzhak Rabin, the Defence Minister, accompanied by Lieutenant-General Shomron, the army's Chief of Staff, visited the spot in central Bethlehem - outside the local office of the Israeli Interior Ministry, much disliked by Palestinians - where Sergeant Katz died to death.

Firearms and explosives have been used several times against Israeli targets over the past fortnight. But Gen Shomron played down suggestions that the conflict had now entered a new phase. Instead he attributed the appearance of firearms to frustration resulting from what he claimed had been the army's success in controlling the large demonstrations.

In an attempt to break the suspected leadership of the uprising, several hundred Palestinian activists are believed to have been rounded up over the past three nights from villages and towns in the West Bank. With existing detention facilities already overcrowded, some are reported to be held at an army camp north of Jerusalem, while hundreds of other detainees are being transferred to a hastily constructed 'new prison' in the Negev desert.

Alexander Nicoll meets Mexico's director of public credit

Man who captures market discount

MR ANGEL GURRIA, Mexico's director of public credit, is much in demand at the annual meeting of the Inter-American Development Bank.

Despite the initial let-down of the result of the country's innovative bonds-for-loans offer last month, his assessment of it is eagerly sought by officials from other debtor countries which want to cut their debt burdens.

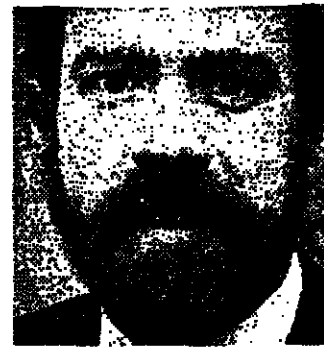
"People have been telling us that it was important," says Mr Gurria. An energetic man who has had a pivotal role in handling Mexico's debt problems since they started, he remains enthusiastic about the deal.

"The more time passes and the more I think about it, I'm getting more and more satisfied," he says.

Indeed, he stresses that Mexico is "actively exploring ways in which we can continue to capture the market discount." It was using the experience of the first offer in considering other suggestions from banks.

"This is despite his lingering disappointment at the amounts of debt tendered in response to the offer. Out of tenders of \$8.7bn (£3.7bn) submitted by 139 of Mexico's more than 500 creditor banks, only \$3.67bn from 96 banks were accepted with \$2.5bn of bonds issued in exchange.

Mr Gurria had expected to be able to issue double that amount. He had also expected that



Gurria: much in demand

Mexico will consider re-opening its debt/equity swap programme, suspended last November, when it has seen a sustained fall in inflation, Mr Angel Gurria, the country's director of public credit, said, Alexander Nicoll writes.

Inflation has dipped from a monthly rate of over 15 per cent in January, to an estimated 4 per cent in March.

The conversion scheme may be reviewed in April.

time "exit" from future Mexican loans.

Bids came from all nationalities and sizes of banks, he says, with no particular pattern. Some \$1.1bn came from Japanese banks, of which over 85 per cent were accepted, but the showing of US regional banks was quite small.

Mr Gurria confesses to "total schizophrenia" in response to one type of question he encountered, especially from British and Canadian banks.

Bankers looked at Mexico's economic performance and saw \$15bn of reserves, flows of capital back into the country, rising non-oil exports, falling inflation, and other signs of progress.

Why, they asked, should they take a large loss on their Mexican exposure, when it seemed that Mexico had far better prospects for debt-repayment than most other problem borrowers? Should they not stick by the creditworthiness of Mexico and refrain from tendering?

This was a difficult argument for a proud Mexican official to counter. The answer, Mr Gurria says, was that the debt burden still needed to be reduced. Interest payments representing 6-6 per cent of gross domestic product stunted the country's growth.

The discount in the secondary market might not be realistic, but, while it was there, Mexico needed to make use of it.

The calculation takes into account the "defiance" effect of the \$32m on repaying the bonds, and the higher interest rate payable on the bonds.

As well as the reduction of debt and consequent savings, there were lessons learned. Chief among them were the thorny regulatory and tax issues raised for banks. Some banks, Mr Gurria says, were telephoning Morgan Guaranty 'day and night' with questions about tax. The US bank was Mexico's agent.

Without a trace of militancy or defiance, Mr Gurria says Mexico must ask banks directly why they did or did not bid, in order to learn from them.

The results do show that the offer did not appeal to any particular type of bank - for example, to smaller banks wanting a one-

accepted tenders would have put an average discount of 37-40 per cent on the old debt, instead of just over 30 per cent. If Mexico had not set the cut-off discount as low as 25.01 per cent, it would have issued only a small amount of bonds.

The source of his satisfaction, however, is that the exchange was "an extremely efficient tool from the point of view of our use of foreign exchange."

Mexico spent \$532m of its reserves on buying \$2.56bn of zero coupon US Government bonds to serve as collateral for its issue. It retired a net \$1.1bn of debt.

This works out, Mr Gurria says, to buying back that debt at 41.49 cents on the dollar - well below the 48 cents price in the thin secondary market.

IMF endorses Argentina austerity programme

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE BOARD of the International Monetary Fund has endorsed an economic austerity programme for Argentina, thereby releasing almost \$1.1bn in loans for the country.

The programme, which aims to bring down inflation to 4 per cent by the year end and to reduce the current account deficit to \$3.1bn in 1988 from \$4.3bn in 1987, was agreed between officials of the IMF and Argentina last month.

The IMF itself will provide \$542.5m of the funds, \$255.5m of which was the third tranche of a \$1.4bn standby loan, agreed last year but delayed for three months because of the country's failure to meet the terms of an earlier IMF programme.

The rest is being provided to offset a shortfall in Argentina's revenues from cereals and oil-

seeds exports in 1987 because of heavy rains and flooding.

The IMF move also releases \$550m in funds from commercial banks, which will be available for drawdown on Friday. These funds are part of a \$1.95bn financing pledged last year by the banks, of which two tranches totalling \$1.25bn were drawn last year.

Part of the new money will be used to repay a \$550m bridging loan granted by the US last month to help the country stave off a foreign exchange crisis.

Argentina has been building up arrears on interest payments to commercial banks since the beginning of the year and is expected to need substantial extra foreign finance before the year is out.

Voest-Alpine Iran arms sales charges to go ahead

BY JUDY DEMPSEY IN VIENNA

MR EGMONT FOREGGER, the Austrian Justice Minister, gave the go-ahead at the weekend to court proceedings against the management of Voest-Alpine, the state-run steel and engineering group which, contrary to Austrian law, allegedly sold arms to Iran in 1984 and 1985.

The decision to press ahead with the court proceedings was made after the state prosecutor in Linz, where Voest-Alpine is based, ended official investigations into allegations that Noricum, the arms and weapons divisions of Voest-Alpine had sold up to Sch 4bn (£194m) in arms via Libya to Iran.

Voest-Alpine, which has made huge losses over the past few years, set up its own internal inquiry last September. Mr Herbert Lewinsky, group chairman,

said the inquiries had "hardened the suspicion" that the allegations were well-founded.

Apart from the senior management, the case could throw light on whether the Minister of the Interior gave the permission to export the weapons.

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PLO fights UN mission closure

BY OUR UNITED NATIONS CORRESPONDENT

LAWYERS may ask a federal judge in New York today to stay the execution of a US government order to close the Palestine Liberation Organisation's United Nations mission by midnight tonight.

Mr Clovis Maksoud, the UN Representative of the Arab League, which is fighting the order, said legal action should

gain a three-week breathing space while the court considered whether it could claim jurisdiction.

If so, the next step could be a bid for an injunction in a case that some are already predicting may wind up in the US Supreme Court.

Whatever the outcome, the decision to shut down the PLO

mission under the Anti-Terrorism Act adopted by Congress last year has added a new chill to already cool relations between the UN and its host country.

The UN Secretary-General, Mr Javier Perez de Cuellar, told the Americans bluntly that the order was a clear violation of the 1947 agreement that established the UN in New York.

Aquino dismisses re-election suggestions

Philippine President Corason Aquino yesterday dismissed suggestions she might seek re-election in 1992 even if there were a strong clamour for her to run again, Reuter reports from Manila.

"I really have no political ambitions... one term is all it would be," Mrs Aquino said in taped radio phone-in programmes

scheduled for broadcast late last night.

Mrs Aquino ran against Mr Ferdinand Marcos, then president, in a January 1986 snap election only after supporters gathered in signatures from ordinary Filipinos urging her to run. Mr Marcos was overthrown two weeks later in a popular revolt sparked by poll frauds.

She rejected the idea of another popular draft for her, saying: "These times [1986] were different."

She said she ran in 1986 only because Mr Marcos' rule had to be ended and added she was only good as a transition president while the country moved from dictatorship to democracy.

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OVERSEAS NEWS

Last chance for UK to join space-station

BY PETER MARSH

BRITAIN has been given a last-gasp chance to join a \$20bn international space station, agreement on which was reached last week by the US and Western Europe.

Professor Reimar Luest, director general of the 13-nation European space agency said at the weekend that "Europe would be the loser" if the UK held out in its refusal to join the scheme. He has given Britain until mid April to make up its mind finally over participation.

The UK is the only major country within ESA to have so far refused to participate in the agency's \$4bn Columbus project

to design a laboratory for the orbiting base.

Professor Luest said that at a meeting he had last month with Mr Kenneth Clarke, the UK trade and industry minister, who has been highly critical of ESA projects, the UK minister had indicated he had still not finally decided on the Columbus issue.

Mr Luest said he still hoped for a favourable UK decision on Columbus. The country not only had valuable technical expertise to offer Columbus but was a source of new and stimulating ideas regarding greater private sector involvement in space schemes, said Mr Luest.

The Columbus laboratory, containing equipment for materials processing studies and observation of the earth, is due to plug into the main US-designed core of the space station, which is due to be in place by the mid-1990s and house eight people. Canada and Japan also plan to help in the development of the base.

UK aerospace companies can be expected to seize on Mr Luest's comments and mount an intense lobbying campaign over the next few weeks to persuade Mr Clarke of the benefits of UK involvement in Columbus.

British companies such as Logica, British Aerospace and GEC had been on course, prior to Mr Clarke's earlier refusal to join Columbus, to win contracts worth several hundred million pounds over the next decade on projects associated with the programme.

The main UK area of participation had been expected to be in the design and construction of a free-flying platform, part of Columbus, for taking high definition pictures of the earth for commercial use.



Clarke: tough decision

Missile war in Gulf goes on

IRAN and Iraq fired missiles into each other's capitals and bombed population centers with artillery for the seventh straight day, resulting in civilian casualties, AP reports from Niocda.

Waves of Iraqi fighter-bombers pounded Iran's biggest oil terminal on Saturday, leaving at least two tankers ablaze in the northern gulf. Iran said it shot down three Iraqi warplanes.

The Iraqi military, announcing that two long-range missiles were fired into Tehran, declared: "We will make the Iranians live in hell until they accept peace."

The attack on the Kharg Island oil terminal, through which 80 percent of Iran's oil exports flow, was the first in six weeks and came during one of the heaviest Iraqi air offensives against Iran in several months.

The official Iraqi News Agency, monitored in Niocda, said Iraqi warplanes and helicopter gunships flew 270 combat missions on Saturday, including attacks on Iranian cities.

Zhao appeals for more open government

BY ROBERT THOMSON IN PEKING

CHINA must develop a more open and accountable government, and should be prepared to offer further incentives to attract foreign investment, the Communist Party general-secretary, Zhao Ziyang, said in his most significant speech since taking office last year.

Mr Zhao outlined plans for a new system of local consultation groups which would give ordinary Chinese more influence in policy-making, and dismissed conservative communists' fears about the overheated economy by suggesting that China had a "rare opportunity" for continued high growth.



Zhao Ziyang: embracing "checks and balances"

The address to a meeting of the party's central committee, which ended a three-day session on Saturday, had the favour of a campaign speech by a western politician. The party boss spoke of the need for a "clean" government that "speaks the truth" and he embraced the cause of "checks and balances", which have rarely bothered the all-powerful party since the revolution in 1949.

However, the forthright speech leaves Mr Zhao open to criticism should the economy turn sour, and the emphasis on populist themes partly reflects the leadership's fears that ordinary Chinese have become disillusioned with reform.

And Mr Zhao has pre-empted a state-of-the-nation address to be delivered in coming days by the acting Premier, Li Peng, who is known to have backed similar "keep abreast of the sharp changes, but not cautiously, Mr Zhao and Mr Li have already shown signs of differing on policy emphasis, and their relationship will be a key determinant of China's future.

The general secretary said the introduction of local consultation groups would give ordinary Chinese more control over the development of transport, housing, welfare and environment policy. "We must speak the truth to the whole people about major incidents concerning social stability, explain policies and enlist people's support and co-operation through extensive dialogues."

On the economy, the tone of the speech reflected Mr Zhao's belief that China is on the verge of entering a developmental cycle similar to that of Asia's newly industrialised countries, a cycle characterised by consistent double-digit growth.

He said that foreign companies must be tapped for their technology and expertise, and that the country's foreign trade system should be "reformed boldly" to "keep abreast of the sharp changes, but not cautiously, Mr Zhao and Mr Li have already shown signs of differing on policy emphasis, and their relationship will be a key determinant of China's future."

"Communists should be the first to be concerned about their people and country, and the last to enjoy themselves," he concluded.

Moscow space shuttle to be launched soon

By Leslie Collin in Moscow

THE LAUNCHING of the Soviet Union's first space shuttle is to take place shortly, according to a leading Soviet space official.

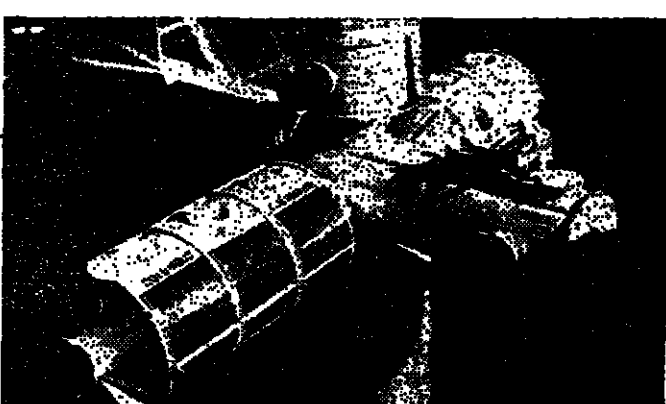
Mr Alexander Dunayev, head of Glavkosmos, the commercial arm of the Soviet space programme, said "intensive preparation" for the flight was now under way. "Little time remained" before the launching would be shown on television, the Soviet News Agency TASS quoted him as saying.

The Soviet space official pointed out that Moscow's reusable space ship was not a replica of the US space shuttle, which has been grounded since a serious accident. Unlike the US space vehicle, which has no engines and glides to earth, the Soviet version is thought to have rocket engines.

In a file at the ill-starred US space programme, Mr Dunayev said the Soviet Union gave priority to crew safety. The first flight of a new Soviet space craft, he noted, was always "automatically controlled" (unmanned), which he said was a basic difference between the Soviet and US programmes. The US is not expected to launch a new space shuttle until June, which may have given additional impetus to getting the Soviet shuttle launched.

Deal allows military experiments

THE US WILL have virtually unconstrained powers to mount military-related experiments on board a \$20bn international space station planned for the 1990s - as long as they do not involve testing of space weapons, writes Peter Marsh.



The model of the European space station Columbus

This is one of the main points of an 11-page agreement on the space station concluded last week by Western Europe and the US after three years of sometimes tortuous negotiations.

Canada and Japan, which also plan to join the space station project, are expected to reach similar accords in the next few weeks.

The document binds the US and the 13 nations of the European Space Agency to a set of procedures governing the use of the orbiting base after its construction in the mid-1990s.

The station, with accommodation for eight astronauts, will be used for a variety of space-based studies, including low-gravity crystals processing and biology experiments. It will also act as a garage in space for servicing satellites.

Under plans for the station, the US, Japan and Western Europe will each provide one laboratory, while the US will also be responsible for the accommodation module for the crew together with computers, energy systems and other equipment for running the base.

Canada's share of the project will be to provide robotic maintenance equipment.

According to the agreement, the US will be responsible for "overall programme co-ordination and direction" of the space station.

The other countries, however, will have the important power to dictate day-to-day activities in the parts of the station which they will provide.

This part of the agreement would enable European countries, Japan or Canada to veto military-related US experiments in their own segments of the station, but would not interfere with the US's ability to mount such studies in its part of the base.

The issue of the degree to which the space station might be used for military experiments, possibly involving tests of lasers or base-tracking hardware connected with the US Strategic Defence Initiative, has caused serious divisions during the three-year negotiations.

The final document deliberately does not seek to circumscribe the US's ability to conduct such experiments - a condition which was insisted upon by the US defence department.

The accord also leaves open the definition of what constitutes a military experiment. Beyond saying the station will be predominantly "civil" and be for "peaceful purposes in accordance with international law", the document is deliberately vague on the entire issue of military work.

The wording can be interpreted to mean that the base could be used for tests of equipments related to prototype space weapons such as lasers - but that no fully developed weapon could be carried on board.

The station, according to the agreement, will be run by a series of committees of the nations using the base in which "decision making by consensus shall be the goal." However, if consensus cannot be reached, the US will generally have the last word.

The agreement also enshrines the right of Japan and Western Europe to use their own launch vehicles to carry people and goods to and from the base, although the US's space shuttle fleet will be the main transport system.

Other parts of the document relate to how the international partners will share out the operating costs for the base, which are estimated at about \$1.5m a year, and also other issues such as protection of intellectual property rights of companies or individuals which make technological breakthrough in experiments on the station.

The document also contains a few paragraphs of interest mainly to jurists. In the section related to legal issues, the agreement gives the US the power to prosecute through US courts foreign nationals who commit misdemeanours on the station, although such course of action would normally require the prior approval of the foreign governments.

28 killed in Rangoon

UP TO 28 people have been killed in Rangoon in the past week in the worst riots in Burma since 1974, according to persistent reports reaching Bangkok.

Robo-burned motor-vehicles and wrecked a government-owned department store in central Rangoon yesterday evening in what was officially described as an act of gangsterism, but is generally believed to be a demonstration of anger over the death of a student in clashes with local youths last Saturday. Chit Tun writes from Rangoon.

Indonesian cabinet

INDONESIA'S new Cabinet which President Suharto will announce today is expected to provide new evidence of the extent of the rift between the military and the increasingly assertive civilian sector, John Murray Rice writes from Jakarta.

President Suharto said this month that the military's role in both defence and politics is "definitely not meant to assign large numbers of armed forces personnel to civilian duties."

Sri Lanka ban plea

Seven Sri Lankan opposition parties, led by former Prime Minister Mrs Bandaranaike's SLFP, have urged President Jayawardene to remove unconstitutionally the ban on the ultranationalist JVP, which has been recently responsible for a spate of assassinations, writes Mervyn de Silva in Colombo.

The opposition also demands an end to what it calls "extra-judicial killing and arbitrary arrests."



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Hawke forced to review policies after NSW opposition victory

PRIME MINISTER Bob Hawke's Labor government in Australia is being forced to review its policies after the party was thrown out of power in New South Wales and suffered a sharp loss of electoral support in three other states.

Although it was not immediately clear whether the federal Government's five years of pragmatic economic policies were at risk, a chastened Mr Hawke acknowledged yesterday that he and the party might need to "do things differently".

His comments followed an unexpected but overwhelming landslide victory in Saturday's New South Wales state election for the opposition coalition of the Liberal and National parties.

A estimated 10 per cent swing in the country's most populous state brought an end to 12 years of Labor rule and a significant majority for the new Premier, 40-year-old Mr Nick Greiner.

Although Mr Barrie Unsworth, the Labor leader, held his seat, five of his ministers lost theirs.

At the same time Labor's majorities were slashed in two state by-elections in Western Australia, and there was a swing away from Labor as the Liberals won both a Victorian state by-election and municipal elections in Brisbane.

With the Liberals enjoying a tremendous psychological boost to their confidence, the Labor party now goes into a federal by-election in Adelaide this Saturday wondering if it can hold on to a supposedly safe seat.

Chris Sherwell sees Labor loss ground in four states

Other state elections are due in the next 18 months in Victoria, South Australia and Western Australia, all of which have Labor governments. The next national election is still two-and-a-half years away.

The weekend setbacks follow a series of blunders and misfortunes by Labor which stand in sharp contrast to Mr Hawke's historic third national election victory in a row last July.

In the space of three months voters have witnessed the resignation of three federal Cabinet ministers, a serious by-election defeat, a scandal over a company donation to party coffers and rows over sensitive policies and Mr Hawke's style of government.

The scale of the defeat in New South Wales has nevertheless come as a genuine shock. In particular, it is a severe blow to the seemingly invincible right-wing faction of Labor which dominates federal as well as state politics and has been responsible for shifting the party to the right in the 1980s.

Acknowledging some responsibility for the outcome, Mr Hawke yesterday admitted the party needed to re-examine itself, its direction and its communication with voters. He confirmed there would be a review of "where we are and what we are going to do" in which "everything will be on the table".

What it will have to face is the unpalatable confirmation that, as Mr Hawke's critics have been saying, the party now seems to have lost touch with its traditional base. In droves, supporters have deserted it in the coal and steel areas around Newcastle, in the sprawling western suburbs of Sydney and in the country towns.

Giving his view last night, Mr Greiner said there was a lesson for Mr Hawke who, he said, was "symbolic of the sort of arrogance of the New South Wales Right which I think is the underlying reason why so many solid Labor areas deserted their voting roots, their traditional patterns of behaviour".

Mr John Howard, the Liberals' national leader, also blamed Mr Hawke, saying the outcome was "a classic example of the little man with a big head who's grossly out of touch with what average Australians now think."

It remains true, however, that the state election was fought mostly on local issues, and that the Liberals nationally do not yet have a coherent set of alternative policies to offer to the Australian electorate, and have so far profited mostly by the gallop and disunity shown by Labor.

Interest Rate Change

Allied Irish Banks plc announces that with effect from close of business on 18th March 1988, its Base Rate was decreased from 9% to 8½% p.a.



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Handwritten text in Arabic script: "مكتبة ابن بطوطة"

OVERSEAS NEWS

Argentine phone contract battle takes fresh turn

BY TIM COONE IN BUENOS AIRES

THE BATTLE over highly lucrative telephone contracts in Argentina took another dramatic turn at the weekend, with the announcement that the state telephone company, Entel, is to be partially privatised with up to 40 per cent being sold to the Spanish state-owned telephone company, Compania Telefonica Nacional de Espana (CTNE).

Over the past year, Alcalá of France, Siemens of West Germany, and NEC of Japan have all put forward proposals to modernise and expand Argentina's telephone system, offering attractive long-term financing packages, which together total almost \$1bn (\$611m). No decision has been taken yet on any of the proposals.

CTNE has now entered the fray as a result of the preferential economic cooperation agreement signed between Argentina and Spain last month and which envisages new investments in Argentina of up to \$1bn over five years, through a mixture of new credit lines, repatriation of new debt-equity swaps.

Significantly, Mr. Rodolfo Terragno, the Argentine Minister for

Turkey maps out debt strategy

By Jim Rodgers in Ankara

THE TURKISH government has mapped out a comprehensive, medium-term, three-year debt servicing strategy, and has absolutely no intention of re-scheduling.

That was the message delivered by the country's central bank governor, Mr. Rasim Saracoğlu, in a visit late last week to London to outline Ankara's debt servicing plans to its major foreign banking creditors.

The Turkish financial authorities are confident they will find the necessary \$1.1bn (\$611m) unsecured financing requirement for 1988 comfortably, said Mr Saracoğlu. The reception given by bankers to his presentation, along with the State Planning Organisation chief, Mr. Ali Fıratlı, of the government's strategy was very positive, he added.

He admitted that a \$100m, three-year loan arranged by Banker Trust International and signed in mid-March had not gone as well in syndication as expected.

But that was largely due to a lack of information about the government's economic plans in the interim between the general elections and the publication of the 1988 economic programme and budget in mid-February.

There also had been a damaging period in January and early February when the lira was under pressure on the unregulated foreign exchange markets, said Mr Saracoğlu.

A DM 300m (\$100m) bond issue on the Frankfurt stock exchange signed in mid-February had already been secured, he said. It went very successfully and more than 95 per cent was sold to final investors rather than being retained by the banks.

Encouraged by this response, the central bank would probably utilise the West German market somewhat more during the year, said Mr Saracoğlu.

"What we want to do is to approach niches in the market we have not tapped in the past," he said. In future, the central bank would seek securitised borrowings, in favour of commercial syndications, for these, another promising market is Tokyo, where Turkey will be eligible for rating in the summer.

In total, principal debt servicing plus interest and payments to the IMF will amount to \$7.2bn in 1988, Mr Saracoğlu continued. This breaks down into \$2.9bn for interest, and \$4.3bn for the IMF payments; the remainder, being principal. The total financing requirement will come from \$1.2bn in project credit commitments, \$3.9bn in medium and long-term borrowing, \$3.35bn in Turkish citizens' foreign exchange deposits and short term borrowing, and \$800m from direct investment. Interest payments are already accounted for in the current account.

The government's strategy was gradually to reduce the current account deficit to \$400m-\$500m by 1992. That in turn would slow the rate of increase in external debt.

In the next phase, the total debt stock would be stabilised at around \$42bn-\$45bn.

Aid is coming from overseas but the fight is being hampered, Francis Giles writes

Morocco steps up war against locusts

MOROCCO is stepping up its fight against the worst plague of locusts to have hit the kingdom since 1965, with the help of many West European and North American countries to which it appealed 10 days ago.

The presence of nomads, along with the fact that initial stocks of pesticides were often 20 years old, and thus less efficient, is not making the task of the authorities easier.



months, observers in Rabat believe that about half the "hopper bands" - that is, locusts in larval form which have no wings and thus travel on the ground - have been destroyed.

The worst affected area is centred around the small town of Goulmine, south of Agadir, but the locusts have already invaded the Draa Valley which lies north of Zagora and reached Ouarzazate.

As light aircraft, pesticides and spraying equipment arrive, the authorities in Rabat are hoping to increase the areas they can treat every day from 25,000 to 45,000 hectares.

Since the middle of last week, however, Spain has dispatched four Cessna light aircraft, and the French Gendarmerie four Alouette-2 helicopters.

France has also dispatched two DC-6 aircraft loaded with pesticides and spraying equipment. West Germany has sent 100,000 tonnes of pesticides while the UK will be dispatching 550,000 worth of spraying equipment and the European Community has pledged Ecu 800,000.

The exceptionally heavy rains which fell during the winter and the warm weather since are shortening the time it takes for the eggs to hatch.

Until a week or so ago, the dispute over the status of the Western Sahara appears to have prevented Morocco and Algeria from exchanging information about the danger they both face.

These winds are helping the locusts towards the rich Sous farming area which lies around the coastal tourist resort of Agadir. At this time of year, the prevailing winds are usually south-easterly.

Two USAid chartered DC8 aircraft unloaded 50,000 litres of Malathion pesticide in Agadir yesterday. Both aircraft flew straight back to New Jersey to reload.

Destroying the locusts is going to be a long and arduous affair, which could take up to two years. Within the frontiers of Morocco and over the past two

Pesticides, which need to be applied every few days, are either sprayed from the air, or from the ground by people carrying backpacks and working with the help of Land Rovers.

Co-operation between the North African countries from Morocco to Libya, will be needed on a far broader front as the locusts are not simply swarming over southern Morocco. Algeria, Tunisia and Libya are facing a similar plague.

SHIPPING REPORT

Dry cargo market stays focus of attention

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE dry cargo market remained the centre of attention last week as China took a reported 10 vessels in the Atlantic and Pacific trades for grain transport.

Commercial charterers were faced with demands for up to \$28 for Panamax tonnage in the US Gulf to Japan grain trade, and \$16.75 for the trip from the US North Pacific to Japan.

Denholm Coates, the London brokers, said prospects for the next few weeks appeared good in both the Atlantic and Pacific

period of relative calm. E.A. Gibson, the London brokers, said the market had been extremely quiet since a flurry of business at the end of the previous week.

New oil find in Venezuela

By Joe Mann in Caracas

AN OPERATING unit of Venezuela's national oil company said this weekend that it has discovered new crude oil reserves estimated at 1.5bn barrels and natural gas reserves of 2.5 trillion cubic feet in eastern Venezuela.

Thai hydro-electric dam project may be shelved

BY PETER UNGPHAKORN IN BANGKOK

A TOP-LEVEL Thai Government committee has decided to recommend shelving a controversial Bant 10th (322m) hydro-electric dam project that would have been built in the country's largest wildlife sanctuary.

For six months the Nam Choen Dam has been hotly debated inside and outside Thailand, with demonstrations in Bangkok and the province concerned, articles in the British Ecologist magazine and interventions from Prince Bernhard of Holland and, more discreetly, the Duke of Edinburgh and Prince Charles.

The committee, headed by General Thianchai Sirisamphan, a Deputy Prime Minister and former army commander-in-chief, amounted to Thailand's first attempt at public consultation on an issue of national importance. It decided on Friday that, although the economic benefits

would outweigh the costs, too little is known about the environmental and geological impacts to justify continuing the project without further study.

The Thai Cabinet is almost certain to accept the recommendation, thereby probably killing the project, since it has already been under study for about 10 years.

The recommendation is a setback for the state-owned Electricity Generating Authority of Thailand (EGAT), which had hoped to use Nam Choen's planned 680 Mw power output to supply 6 per cent of the country's peak demand by 1997.

EGAT expects Thailand's strong economic growth to increase demand by 7 per cent annually over the next 15-20 years, but electricity demand grew by 14 per cent last year.

EGAT will now have to invest in alternative sources.

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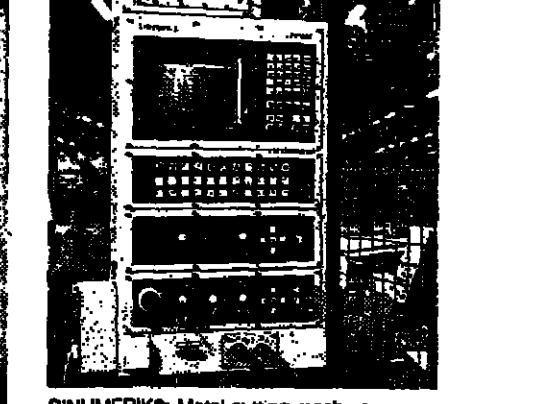
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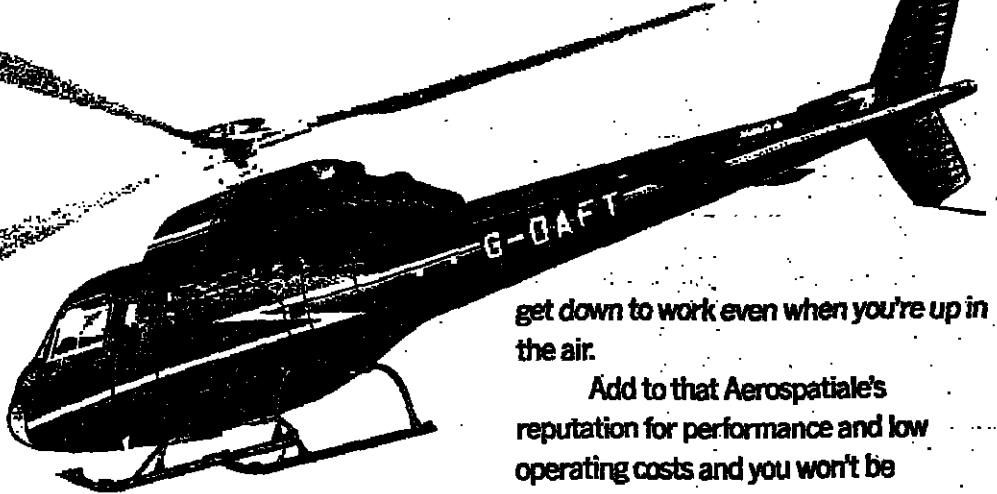
WORLD ECONOMIC INDICATORS

TRADE STATISTICS

	Jan '88	Dec '87	Nov '87	Jan '87
US (\$bn)	experts 22,338	24,881	23,779	16,755
	imports 34,767	37,803	37,816	28,692
	balance -12,437	-12,202	-13,217	-11,937
Japan (\$US\$bn)	experts 21,722	20,044	19,669	18,572
	imports 12,623	11,504	12,220	8,592
	balance -9,999	-8,540	-7,449	-9,586
UK (£bn)	experts 6,183	6,817	6,881	6,235
	imports 7,688	7,827	7,938	6,752
	balance -1,505	-1,010	-1,056	-5,517
France (FFbn)	experts 77,707	81,597	79,591	67,736
	imports 78,341	82,488	86,275	78,186
	balance -6,634	-8,893	-6,682	-2,450
	Dec '87	Nov '87	Oct '87	Dec '86
W. Germany (DMbn)	experts 45.00	44.76	45.80	43.15
	imports 34.11	34.47	37.22	32.95
	balance +10.89	+10.29	+8.58	+10.20

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BANK OF IRELAND BASE RATE

Bank of Ireland announces that with effect from close of business on 21 March 1988 its Base Rate is decreased from 9.00 % to 8.50% p.a.

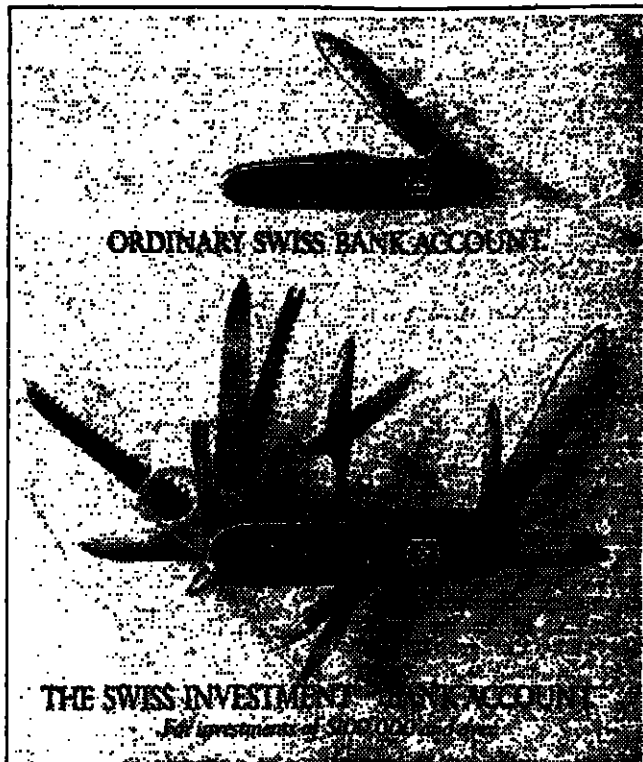


State Bank of India

State Bank of India announces

that its base rate is reduced from 9.1% to 8.51% per annum with effect from March 18, 1988

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UK NEWS

Senior Tories see room for further tax reforms

BY PETER RIDDELL, POLITICAL EDITOR

BRITAIN'S TAX system may still be reformed later in this parliament or after the next election, in spite of the doubts of Mr Nigel Lawson, Chancellor of the Exchequer.

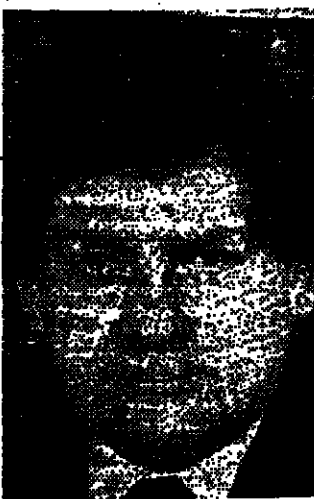
Mr Lawson said last week that, after the far-reaching package of personal tax changes in Tuesday's Budget, there was nothing that immediately sprang to mind and he had no specific plans for further reform.

However, other senior ministers and advisers of Mrs Margaret Thatcher, the Prime Minister, believe that, following the Budget and the changes in company taxation in 1984, the impetus for reform should not be lost.

These key policymakers argue that several areas still require change, such as the system of tax allowances, national insurance contributions and savings through pension funds.

Consequently, they say, further reforms should not be ruled out, even though they may take until next parliament to implement.

Both for political reasons and because of the Inland Revenue's reluctance for further changes, their argument is that the reduction in higher tax rates should make possible a wider assault on tax perks and shelters after the start last week with the



Nigel Lawson: doubts

increase in tax on company cars and the tax treatment of forestry. Some ministers favour a resumption of the battle against allowances at higher rates of tax, although Mrs Thatcher has firmly resisted changing the system of mortgage interest relief. As a longer-term option, some of Mrs Thatcher's advisers believe the system of national insurance contributions will have to be changed to reduce disincentives at the lower end of the scale

and to make the system more progressive. The Commons four-day debate on the Budget will end today with opposition parties voting against some of the tax cuts. Tories are worried about a possible repetition of the demonstrations which disrupted last week's Budget speech.

Two opinion polls published yesterday show backing for the 2p cut to 25p in the pound in the basic rate of income tax, but widespread opposition to the reduction in the top rate from 60p to 40p in the pound. A Mori survey of 1,000 people last Thursday and Friday shows that while 60 per cent support the cut in the basic rate (with 33 per cent against), only 27 per cent back the new higher rate (with 63 per cent against).

A Gallup survey shows that while 66 per cent approve of the cut in the basic rate, only 29 per cent back the lower top rate. Two-thirds of those interviewed feel the Budget is not fair, with 55 per cent saying it makes them less favourably inclined towards the Government, with only 12 per cent taking a more favourable view. Conservative Central Council Page 16; Time to end archaic budget procedures, Page 21

Talks over Land Rover dispute to reopen

By Our Labour Correspondent

MANAGEMENT and union officials at Land Rover, the Solihull vehicle manufacturer, will today reopen negotiations aimed at settling the four-week-old pay strike by the company's 6,000 manual workers.

The talks were suggested by Acas, the conciliation service, on Friday night, after contacts with both local and national union officials.

Significantly it is expected that national officials of the motor industry union's may take part in the talks. They did not take part in exploratory talks organised by Acas two weeks ago, which broke down.

Neither the company nor the unions would disclose whether the talks were intended to be merely exploratory or whether there would be substantive negotiations over the company's two-year pay offer which led to the strike.

In the past week about 90 Land Rover workers have crossed picket lines to return to work at the Solihull plant in the Midlands.

While union officials insist there is strong support for the continuation of the strike, the company has suggested that the drift back to work is indicative of underlying disenchantment with the strike.

It is thought that senior Land Rover stewards were disappointed when the earlier Acas talks ended in failure.

Throughout the strike the company has insisted that it will not improve its pay offer, worth 8 per cent over two years, but 14 per cent with the consolidation of bonus payments into basic rates of pay.

The management has also warned that it would have to consider reducing the offer, should the strike continue, in the light of the damage caused to the company by the dispute.

Last week, work returned to normal at General Motors plants at Ellesmere Port and Kirkby, after about 7,000 workers accepted a pensions package agreed by management and union negotiators.

The workers were at the forefront of the GM unions' two-year campaign to press the company to use a £20m pension fund surplus to fund improved pensions.

Seamen set for ballot on P&O strike as port delays continue

BY CHARLES LEADBEATER AND KEVIN BROWN

THE NATIONAL Union of Seamen executive council, which meets today, was last night expected to call a national strike ballot among its members at Peninsular and Orient.

This was in spite of the company's offer of further talks aimed at settling the seven-week strike by more than 2,000 Dover seamen, and averting the threatened national strike, which could affect the company's entire ferry fleet.

The company's move came as large ports on both sides of the channel faced worsening congestion as a result of a pay strike by French seamen which has seriously affected Dover.

The Harbour Board said about 500 lorries were waiting for a passage, and queues were building up on the M20 motor-

way from London. Tourists faced delays of up to 12 hours and many were being diverted to Folkestone where Sealink's UK-registered services were running.

The NUS executive council is expected to call a strike ballot among all its members at P&O, including seamen on its other ferry services, tankers and cruise liners.

The union argues the strike would be within the law because it would be in protest at job cuts throughout the company, rather than in sympathy with the Dover seamen.

Significantly Mr Peter Ford, chairman of P&O Ferries, indicated that the company was prepared to reconsider some of the union's suggestions for ending the dispute, as well as

proposals made by Acas, the conciliation service, during talks last week which broke down.

The NUS said it would not compromise on its insistence that there should be three crews per ferry, as opposed to the 2.5 crews P&O wants.

On the French side of the Channel no ships operated by SNCM, the French national railway company, were moving out of Calais, Dieppe or Boulogne.

No talks were planned to end the French dispute, which was sparked by a claim for improved pay and conditions, but fuelled by anxieties that SNCM may attempt to achieve staffing reductions along the lines of those sought by P&O.

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combined value was much more than the value of I.C. Gas.

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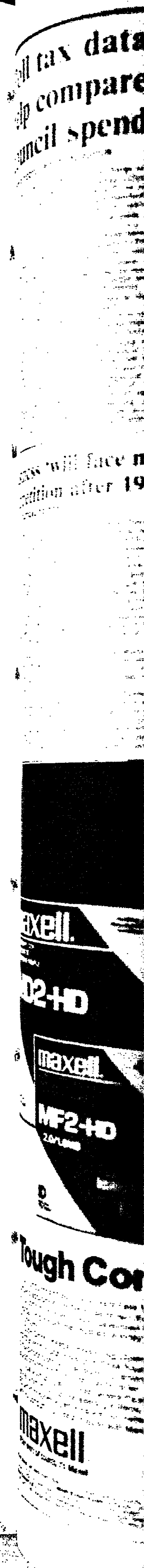
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UK NEWS

Poll tax data to help compare council spending

BY PETER RIDDELL, POLITICAL EDITOR

LOCAL AUTHORITIES' spending-level comparisons will be sent to every adult in England and Wales when the community charge, or poll tax, is introduced in April 1990...

Think tank supports Thatcher on curriculum

By David Thomas

A NATIONAL education curriculum should restrict itself to setting clear minimum standards for the three core subjects of English, mathematics and science...

Michael Dixon explains education officers' responses to the planned abolition of Ilea Preparing to plug gaps in London's teaching



Kenneth Baker: intent on abolishing the authority

AS THE LONDON schools' steel bands strike up at the Barbican Centre tonight, the leaders of the Inner London Education Authority will be hoping the young musicians hit a political note...

establishments such as boarding schools for children with problems, which are sited altogether outside London. Another is central services such as purchasing and supplies...

Business 'will face more competition after 1992'

BY OUR POLITICAL EDITOR

BRITISH companies need to appreciate that they will face more competition after completion of the European internal market in 1992...

Magazine plan for local papers

BY RAYMOND SNOODY

PLANS for a free weekly colour magazine to be inserted in up to 29 regional evening newspapers are being finalised in preparation for a September launch...

Budget changes financing for regional newspaper

BY RAYMOND SNOODY

THE North West Times, the proposed quality daily newspaper to serve north-western England, has had to change its business plan because of the Budget...

Maxell advertisement featuring MD2-HD, MF2-DD, and MF2-HD floppy disks. Includes the slogan 'Tough Company' and 'When every bit counts, it's Maxell.'

Telematics advertisement featuring a man in a suit and the slogan 'I think business, not networks. I need a network that thinks my way.' Includes contact information for Telematics International.

Small print text at the bottom left of the Maxell advertisement, including company names and addresses.

UK NEWS

Truce expected in dispute over coal imports

BY MAX WILKINSON, RESOURCES EDITOR

THE South of Scotland Electricity Board is today expected to agree a three-month truce with British Coal in the battle over cheap imported coal.

Government efforts fail to speed up road repairs

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

GOVERNMENT efforts to speed up the rate of road repairs have failed to bring about significant improvements, according to a Transport Department report.

Kleinwort man 'to be Hill Samuel unit head'

By Mick Bunker

HILL SAMUEL, the merchant bank, says it is to hire Mr Ray Green as head of corporate finance. He is now a senior figure at Kleinwort Benson.

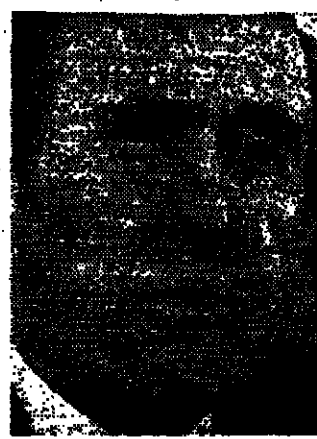
Leadership race dominates Democrat rally

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE Social and Liberal Democrats gathered in revivalist mood at Central Hall, Westminster on Saturday to preach the gospel of new-found democracy.

Peter Riddell reports from the annual Conservative Central Council meeting at Buxton Sense of triumph dominates Tory gathering

THERE is an air of triumph among senior Tories. Nine months after their third successive election victory, Mrs Thatcher and her senior colleagues believe they are on course for a fourth term.



Peter Brooke: pace of change is quickening

Leadership race dominates Democrat rally

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE Social and Liberal Democrats gathered in revivalist mood at Central Hall, Westminster on Saturday to preach the gospel of new-found democracy.

It still clings to the tenets of pre-merger socialism. The upheavals of the former Alliance were decided as "a small world turned upside down," and the divided result was "a party without a leader and a leader without a party."

senior ministers believe they retain the initiative. For all the strength of individual shadow Cabinet members, they regard Labour as unselectable as long as Mr Neil Kinnock remains leader.

Company pay forums called for

By Peter Riddell, Political Editor

A SINGLE forum for negotiating pay and rewards for executives and all groups of workers should be created in each company, Mr Michael Meacher, Labour's employment spokesman, urged yesterday.

APPOINTMENTS

Shell company secretary

THE "SHELL" TRANSPORT AND TRADING COMPANY has appointed Mr V.A. Wadhwan as company secretary from June 1, when Mr D.W. Charterman retires.

MANUFACTURERS HANOVER TRUST

MANUFACTURERS HANOVER TRUST has appointed Mr Richard Benson, previously vice president of E.F. Hutton's capital markets operation, as manager of the global securities unit.

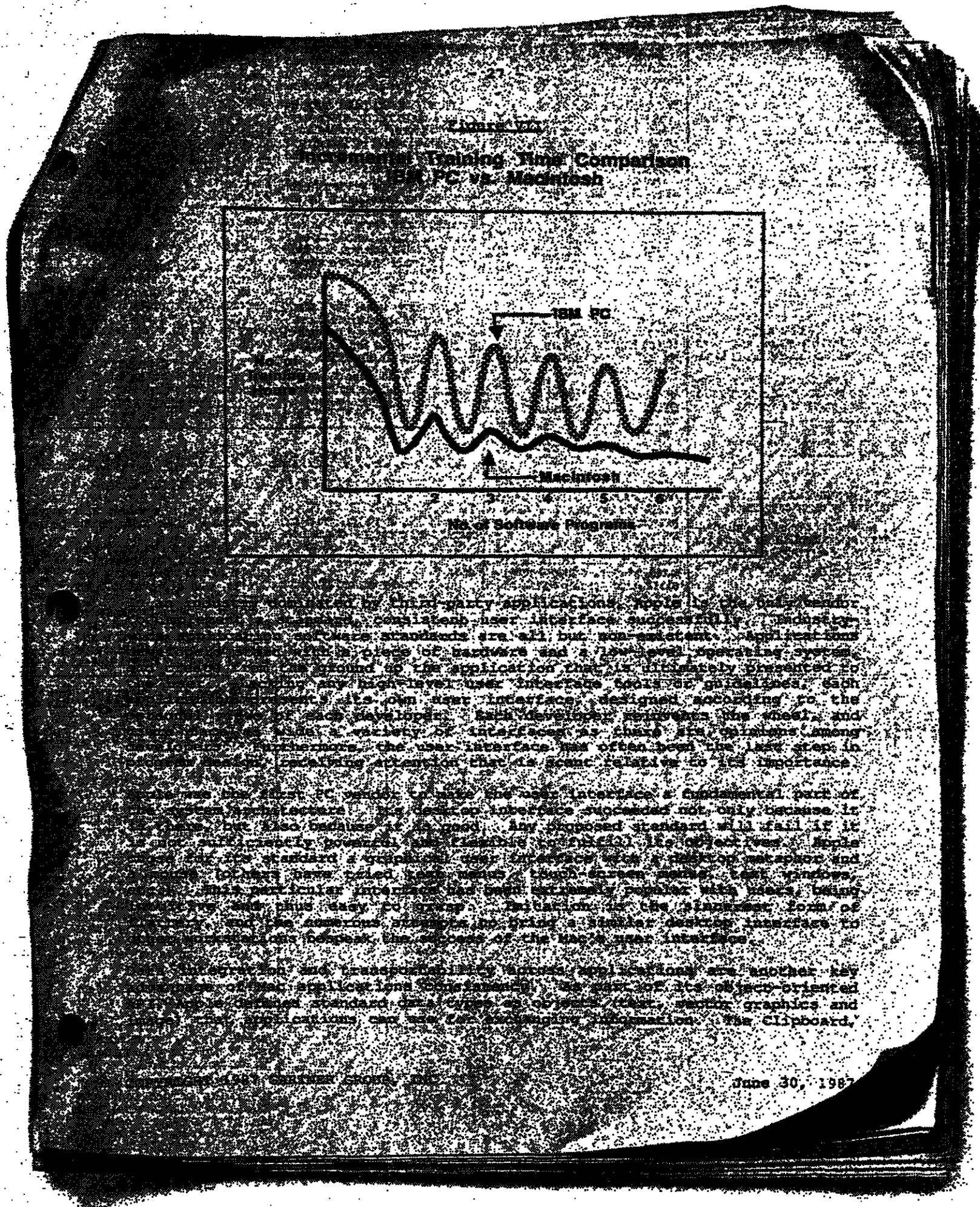
Advertisement for KLM featuring the slogan "The perfect match according to KLM" and "The Reliable Airline".

Advertisement for Citycall American Services, offering US Federal Budget Figures and general news of US business.

Advertisement for Citycall, listing various market reports and contact information.

Large advertisement for AppleCentres, featuring the slogan "Will you and your computer dealer be compatible?" and a list of 20 AppleCentres across the UK.

Another great report on the Apple Macintosh.



This independent survey by the Gartner Group on the Apple Macintosh range of computers obviously makes very good reading. The Gartner Group is an organisation as well-respected in computer circles as Apple Desktop Publishing is in the business world.

If you've never used a Macintosh you may find this report quite startling.

You may even be surprised to hear that corporations all over the world are already finding the Apple Macintosh invaluable for managing and processing information, producing reports and, of course, connecting to their existing computer systems.

The Gartner Group found that the Macintosh was favoured by business because of its intuitive graphics interface, which means real ease of use. It also has a consistent software environment, so that once you've learnt one program you know the principle of using them all.

All studies of Macintosh use of which we are aware have found that new Mac users require less initial training, less subsequent training on new applications, and less ongoing support than IBM PC users. (GARTNER GROUP, INC.)

That's quite an advantage when you consider that training costs often exceed the initial cost of hardware.

Since the Mac's ease of use leads to less training and support requirements, companies using it should realise enormous cost savings. (GARTNER GROUP, INC.)

The Macintosh's ease of use was actually found to promote greater use too, because

users (are) less reluctant to learn new applications, since the benefits are more quickly acquired. (GARTNER GROUP, INC.)

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UK NEWS

Merchant banks unhappy over disclosure proposals

BY DAVID LASCELLES, BANKING EDITOR

UK MERCHANT banks are objecting to international banking proposals which could oblige them to speed up disclosure of information about their inner reserves.

The proposals are contained in the consultative paper on bank capital put out by the Basle Committee of international bank regulators in December. British banks have to submit their comments to the Bank of England by the end of this month.

The British Bankers Association, which is preparing the response, has already sent a preliminary comment to the Bank and expects to present its formal report in the next few days.

The Basle proposals say that banks may not include undisclosed reserves in their calculations of core capital, which constitutes the foundation of their balance sheet. These reserves may be included in second-tier capital with the approval of bank regulators.

However, this is of limited value to the banks because the amount of capital in this tier is dictated by the size of a bank's core capital. In order to make full use of their inner reserves, some merchant banks might therefore have to disclose them.

Many UK merchant banks take advantage of the exemption in the 1985 Companies Act which allows them to transfer an undisclosed portion of their profits into inner reserves each year.

Although they have frequently said in the past that they would move to greater disclosure, the intense pressure on profits caused by Big Bang and last year's market crash has made them more rather than less secretive.

The merchant banks accept that they will have to disclose their inner reserves eventually, but they would like to be able to choose the timing. They argue that the Companies Act would have to be amended to make it

consistent with the Basle rules. UK banks also intend to object to a proposal to exclude revaluation reserves from core capital as well. These reserves arise when banks periodically revalue their securities portfolios or their premises, creating profits which are usually transferred straight into capital.

It seems unlikely, though, that the UK banks' objections will make much difference to the Basle proposals, which result from an international initiative in which the Bank of England plays a leading role.

Banking supervisors from all the top banking nations are collecting responses from their banks. These will be collated at the next Basle meeting at the end of April, and final proposals will be made for approval in mid-summer.

The new regime, which is intended to create a common framework for international banks, is due for full implementation by the end of 1992.

Rush for high-tech research funding

By Terry Dodsworth

A LARGE number of British companies and universities are likely to be disappointed in their applications for European high technology research funding under the second stage of the European Community-backed Esprit Project due to be launched early next month.

Almost half of the 1,500 submissions received for specific research subjects in the Ecu 3.2bn (£2.14bn) Esprit II involve a British company or research institution. This interest results from the run-down of national funding for high technology research under Britain's Alvey project.

According to EC officials, a significant number of these proposals will be turned down. The number of UK applications will be welcomed by the British Government, which has been anxious to encourage companies and universities to collaborate more with other European organisations.

One of the main successes of the original Esprit programme, which involved about 200 projects, was felt to be the way in which it brought companies together from all over the European Community in pre-competitive research. The new project is expected to be twice the size of the original programme.

At the same time, however, there is considerable criticism of the British Government for its lack of an ambitious high-tech research effort.

Mr Nigel Horne, the director in charge of technology at STC, the UK electronics group, said: "We would have greatly preferred to have had a UK initiative that concentrated on some national strengths."

British companies feel that in the longer term the Government may make more funds available outside the Alvey programme for carefully selected projects.

Programmes which make it easier for small and medium-sized companies to use micro-electronic techniques are attracting particular interest, while some national effort in semiconductor research is regarded as a pre-condition for worthwhile collaboration in many Europe-wide schemes.

Liffe to test automated trading system

BY BARRY RILEY

A BREAKTHROUGH in the development of automated trading systems for the futures markets is being claimed by Liffe, the London International Financial Futures Exchange.

Liffe has developed APT (automated pit trading) and is planning to apply it experimentally to one of its medium-volume contracts later this year.

Mr Brian Williamson, the exchange's chairman, said: "We are convinced we are a long way ahead of everyone else. It is very, very fast indeed."

APT is said to be different from the screen-based matching systems in use elsewhere. It will retain use of the trading floor and seek to emulate the features

of pit trading. However, it is said to make the life of a local, or pit trader, much easier.

Mr Williamson declined to give details of the still secret APT system, developed during the past year by the exchange's own staff, but described it as "going with the grain of open outcry, but making it go faster."

Later, electronic links could be set up with other European exchanges.

The continuing need for a trading floor is causing Liffe to reassess its requirements because its existing premises at the Royal Exchange are likely to be redeveloped in a few years' time.

One possibility is a move to the Stock Exchange trading floor,

now largely unused apart from the area occupied by the London Traded Options Market which is part of the International Stock Exchange.

Liffe and London Options have been discussing the possibility of some integration of the two markets and have now agreed to move towards development of joint systems and compatible products. This would result in an effective merger of the markets from the user's point of view.

A complete merger is unlikely, however, because Liffe is unwilling to move within the umbrella of the International Stock Exchange.

Such a takeover, it is feared, would impose an unacceptable

level of overheads on Liffe and would interfere with Liffe's informal relationships with many other markets.

Mr Williamson insisted that Liffe had several options other than a move to the Stock Exchange trading floor.

He said it could stay at the Royal Exchange in spite of the redevelopment. "There is a lot more room in the Royal Exchange than people think." Offices and computers could be moved out to create more trading space, he said.

Liffe was also looking at the possibility of moving to another building being developed over the railway lines at Cannon Street station.

Call for action on defence costs

BY LYNTON McLAIR

CONCERN over poor value for money from the 29bn spent annually on defence procurement has led to recommendations for changes in procurement practice.

About £3bn to £4bn may be associated with costs which were "not foreseen" according to a confidential report by Ministry of Defence officials and the Prime Minister's efficiency unit.

The report was written in the wake of the cancellation by the Government of the Nimrod early warning radar aircraft. The cancellation, it says, "acted as a catalyst" for talks between the MoD and the Prime Minister's adviser on efficiency and effectiveness, Sir Robin Ibbot.

It was agreed that the "short, sharp shock" approach of the efficiency unit should be applied to arrangements for managing major projects in the MoD.

Parts of the report, called "Learning from Experience, on arrangements for managing major projects in the MoD," have

been discussed in public by the Commons public accounts committee, although it is marked "management in confidence" and the MoD has refused formally to publish it.

The MoD "makes decisions on major projects without enough hard technical evidence and makes assumptions about technical difficulty and then plans for success," the report says. In future, full development of a project should rest on evidence, from demonstrations, that the equipment can achieve the required performance within budget.

The report recommends that the manager of a development "should have a clear charter of responsibility, authority and accountability and fewer layers between him and top management."

The authors of the report say a positive attitude to change is now apparent. "The first step is to recognise that effecting change is a major project in its own right

and to appoint a senior manager for the task."

The authors looked at 14 MoD equipment projects and focused initially on the Marconi Sting Ray, the GKN Warrior and the British Aerospace Alarm air-launched anti-radar missiles.

"Our own studies have shown that, before they are finished, projects have typically increased in real cost by 66 per cent from their earliest estimates and by 29 per cent after full development started," the report says.

Some projects, such as the Royal Navy's Type 23 frigate, were conceived with a ceiling on their cost as part of the requirement. "This approach does not in itself encourage greater technical realism; it simply gives precedence to cost over operational requirement."

The Type 23 frigate design had to be changed radically to make it into a warship with enough weapons and capability for its anti-submarine task. The cost more than doubled as a result.

Executives at Olives Paper Mills resign

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

TWO EXECUTIVES of Olives Paper Mills have resigned six months after control of the Lancashire company passed to Mr Michael Kent, a property developer.

No explanations were given for the immediate departures of Mr Barry Common, managing director, and Mr Kenneth Shore, finance director.

However, it is understood Mr Kent's requests for their resigna-

tion came out of the blue with criticisms of their management style.

Mr Kent, the chairman who gained control after offering a £2.7m capital injection last September, was not available for comment.

Olives Paper's management and unions had favoured his proposals over an alternative and apparently more advantageous offer of £5m from Melton Medes,

a private company run by Mr Nathan Puri.

It is understood managers backed the Kent plan because of uncertainties over their future with Mr Puri in charge. A banker associated with the company said the resignations were in keeping with changes in Olives Paper.

The company is the oldest independent papermaker in Britain.

Many drugs have cheaper alternatives, says study

BY PETER MARSH

MORE THAN a third of a sample of 110 branded drugs used widely in Britain have generic substitutes which sell for less than half the price, according to a study.

Thomas Kerfoot, a maker of generic medications, based in Ashton-under-Lyne, Greater Manchester, produced the study to support his argument that the National Health Service should use more generic drugs, which contain the same chemicals as equivalent branded products and are usually much cheaper.

The company's list is based on 110 branded drugs for which generic substitutes are available. Many top selling drugs are not included, as they are protected by patents and cannot be made by generic manufacturers.

According to Thomas Kerfoot, the health service could cut £10m from its £22m annual drugs bill by increasing its use of generic pharmaceuticals. At present about £150m of the bill is accounted for by generic, rather than branded products.

The Department of Health and Social Security last week said it was considering trying to increase its use of generic drugs.

The Thomas Kerfoot report found that, in 41 cases out of the 110, the generic product cost half the price of the branded version.

Of the 110 branded products, 91 had cheaper generic substitutes. In 12 cases the prices were the same and in seven instances the generic product cost more than the branded version.

The biggest gap was in the case of Valium, a tranquilliser made by Hoffmann-La Roche of Switzerland, which sells for 15 times as much as generic versions. Producers of branded drugs generally argue that price comparisons are simplistic. They say a branded formulation often performs better clinically, even when two products have the same chemical formula.

The health of poor people may be being put at risk by increases in prescription charges, according to a study in the magazine New Society.

The study, by health economists Mr Stephen Birch and Ms Mandy Ryan, says nine increases in charges since 1979 have led to a big drop in take-up of medications among those who have to pay the full cost of prescriptions.

Housing starts up 34%

BY KEVIN BROWN

PRIVATE HOUSING starts in Britain totalled 32,611 in January and February, an increase of 34 per cent on the same period last year, according to the latest figures published by the National House-Building Council.

The council said private housing completions in the period

totalled 32,611, an increase of 20 per cent over the January-February period last year.

Mr Basil Dean, director general, said the high level of starts was "most encouraging," although no doubt the figures were due in part to the abnormally mild weather conditions.

Shopping centres win awards

BY WILLIAM COCHRANE IN GENEVA

BRITAIN virtually swept the board in Geneva yesterday where the International Council of Shopping Centres announced its 1988 awards for the best in development, leasing, design and management of European retail property.

Awards went to The Pavilions, Birmingham, in the category for large centres, and to Old Square, Walsall, for refurbishment. Certificates of merit were awarded to The Lion and Lamb Yard in Farnham, Surrey, and Victoria Place in central London.

Architect Michael Haskoll, chairman of the ICSC awards committee, told delegates at the council's 15th annual European conference that The Pavilions

achieved two prime shopping levels by using a natural fall in the street frontage.

Sibee Developments had already won the equivalent British award for Old Square, Walsall, from the British Council of Shopping Centres.

Mr Haskoll said the jury was particularly impressed by the quality of the result. The Lion and Lamb, developed by Arundell House Securities, was an example of the shopping centre industry.

The Lion and Lamb also won an award from the British council. Heron Property, the developer of Victoria Place, was chosen for sponsoring privately a high-quality centre in a public transportation terminus.

Investment trusts win concessions

By Eric Short

THE ASSOCIATION of Investment Trust Companies has secured certain concessions from Securities and Investments Board and the Investment Management Regulatory Organisation (Imro) over the marketing of regular savings investment trust schemes.

Investment trust groups will be able to promote such savings schemes at least until July 1, instead of having to cease promotion when the financial services legislation becomes operative next month.

Authorisation of investment trusts under the Financial Services Act comes under Imro. The rule book published by Imro proposed a ban on the promotion of savings schemes by investment trust groups under the marketing rules.

Sir Gordon Borrie, Director General of Fair Trading, in reviewing Imro's rule book, pointed out that this rule would put investment trusts at a marketing disadvantage with unit trusts.

Unit trusts are controlled by the Life Assurance and Unit Trust Regulatory Organisation and the rules have extended the permitted marketing methods, putting them on a par with life contracts.

Sir Gordon Borrie considered the State of Fair Trading, in reviewing Imro's rule book, pointed out that this rule would put investment trusts at a marketing disadvantage with unit trusts. Yesterday, the SIB announced that in the light of Sir Gordon Borrie's remarks and the representations made by the association, it would defer until July 1, 1988 the application of the relevant marketing restrictions to Investment Trust Savings Schemes.

The SIB confirmed that, until then, these schemes could be promoted in the same way and to the same extent as is presently allowed. Second, the SIB confirmed that the relevant rules would be reviewed in the light of comments made and decided whether any amendments should be made in the rules which would apply from July 1.

Urban venture to rebuild estate in Derbyshire

By Richard Tomkins, Midlands Correspondent

PROBE, an urban regeneration venture set up by two building societies and a construction company, has started work on its first project - the demolition and reconstruction of an entire housing estate in the Derbyshire village of Creswell.

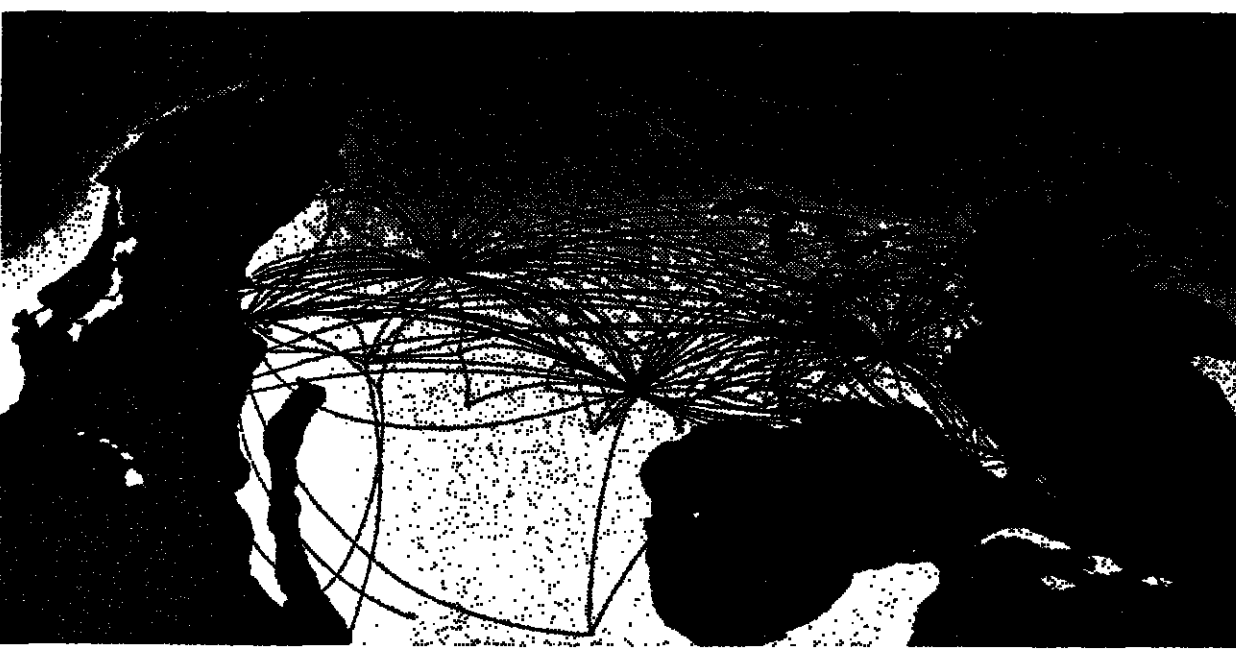
It has joined with Bolsover District Council in a £9m scheme to replace 240 former Coal Board houses on the rundown Calverly estate with 260 new dwellings, some of them for sale and others for rent.

Probe - an acronym for Partnership Renewal of the Built Environment - is a joint venture between Y.J. Lovell, the house-building and construction group, and the Halifax and Nationwide Anglia building societies.

It was set up at the end of 1985 with the aim of spurring commercially viable regeneration projects in urban areas.

Eight other large-scale projects are also in the pipeline, mainly in the north of England and the Midlands.

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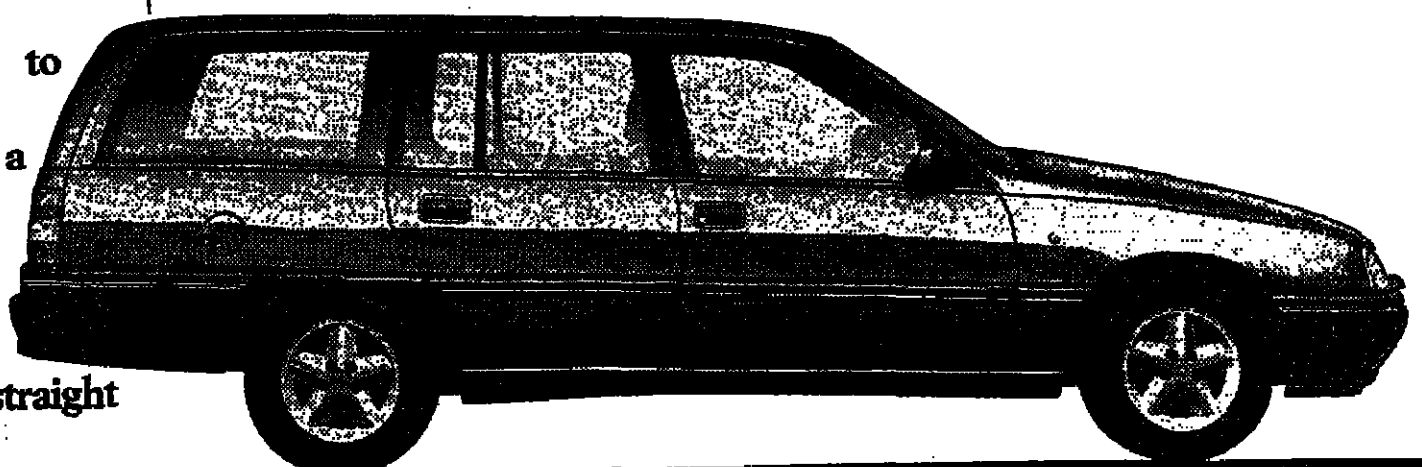
It came as no surprise then, that in 1987 the Carlton was voted Car of the Year.

More importantly, Motor magazine concluded recently in a comparative test report with the Volvo 740 GLE that the Carlton was "most certainly the better estate car".

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WARTSILA

Wartsila AB's shareholders are summoned to the Annual General Meeting of shareholders which will be held at 4.00pm on Monday, 11 April 1988, in Helsinki, at Finlandia Hall, address: Kasanmäentie 4

The General Meeting will deal with the following matters:
 1) Matters to be dealt by the General Meeting according to Article 16 of the Company's Articles of Association.

2) A proposal to authorize the Board of Directors for a period of one year as of this General Meeting either

a) to decide on increasing the issued share capital by a new issue in one or several instalments of a maximum of FIM 144,000,000 by offering a maximum of 2,400,000 new restricted and/or free series 1 shares, or restricted and/or free series 2 shares of FIM 60 nominal value each. For subscription at a price determined by the Board of Directors and with such subscription terms and conditions as decided by the Board of Directors or

b) to decide on the issuance of debt instruments convertible into shares or debt carrying warrants to subscribe for shares, in one or several instalments, with the condition that holders shall have the right to convert the debt either entirely or partly into shares of the Company or to subscribe for new shares; and to decide on all the terms and conditions of the debt and the related share subscriptions. The total aggregate nominal value of the shares that can be converted for debt or subscribed for on the basis of warrants may not exceed the total maximum of FIM 144,000,000.

The proposed authorization shall also include the right to disapply the share holders' pre-emption rights.

In a possible new issue of shares or equity securities offered to nominated participant(s) without regard to the shareholders' pre-emption rights, the pricing of the issue shall be based on market conditions. The financing to be raised is intended to further strengthen the Group's financial standing and its expansion and to allow for alternatives in the financing of important investments, including acquisitions.

Documents concerning the financial statements and the Board of Director's proposals for the decisions mentioned in point 2 are available for the shareholders' review at the company's head office during one week's time prior to the General Meeting. The Company's Annual Report for 1987 will be available for distribution as of 31 March 1988, in Helsinki, at the Company's head office, address: John Stenberghin katu 2, and at the Arabia shops, Pohjoispuolassa 23 and Messerschmittin katu 20. At request, the Annual Report will be sent to shareholders by mail.

A shareholder who wishes to participate in the General Meeting of shareholders must register no later than 4.00pm on 7 April 1988, either in writing to Wartsila AB, PO Box 238, 00101 Helsinki, or by telephone to Helsinki 7095 338. In order to be entitled to use the shareholder's right to vote at the General Meeting by proxy, a respective power-of-attorney shall be delivered to the Company before the end of the aforesaid registration period.

Helsinki, 9 March 1988
 Board of Directors



CORPORATE TAKEOVERS

Acumen and aggression make Mr Campeau's name

BY DAVID OWEN IN TORONTO

THE SPIRALLING bitter battle for Federated Department Stores, the US department store and supermarket group, is an iconoclast of the first order - Mr Robert Campeau, 63, chairman and guiding light of the eponymous Canadian property company.

Mr Campeau's much-vaunted acumen and aggression have carried him from the shop floor at metals group Inco - in his native Sudbury - to the threshold of the largest US department store chain's boardroom.

Campeau's US\$8.02bn bid for Federated, and a rival bid by R.H. Macy, is embroiled in litigation. On the success of the Campeau bid depends an agreement to sell the preppy Brooks Brothers clothing retailer to Marks & Spencer of the UK for \$770m.

Starting in 1980, when Mr Campeau sold a house built for him by a cousin, Antonio, for a profit of C\$2,300, the "Ottawa builder" laboured for 30 years to assemble one of Canada's largest development and property groups.

While he has become a local celebrity for his low-cost housing schemes and assiduously-cultivated political connections, it was not until August 1980 that Mr Campeau became big news.

His C\$43m bid for control of Royal Trustco (then Canada's largest trust company) was initially viewed as preposterous by Toronto's financial establish-



Robert Campeau: shop floor to top strategy

ment. After all, the combative Francophone's corporation had assets of only C\$60m at the time, against C\$7bn for Royal Trustco. But the bid was ultimately thwarted only when a series of white knights teamed up to buy a majority of Royal Trustco stock.

The experience gleaned in this bitter two-month struggle stood Mr Campeau in good stead in September 1986 when he launched his equally daring raid on Allied Stores.

After another enthralling tussle, the New York-based department store chain became a wholly-owned subsidiary of Campeau with effect from the last day of 1986. The price was US\$8.5bn.

Many analysts fully expected Campeau to come to grief

beneath its mountainous C\$8.5bn or so end-1986 debt load. But a successful securities issue, coupled with the judicious pruning both of newly-acquired Allied assets and its substantial existing property portfolio, enabled Campeau to reduce its burden with remarkable alacrity.

JAPANESE COMPANIES are at last starting to take over foreign businesses. Friday's launch by Bridgestone, the leading tyre maker, of a \$2.6bn takeover bid for Firestone Tire & Rubber, is only the latest and largest in a series of such large-scale operations undertaken in the past year or so.

Last month, Bank of Tokyo agreed to buy Union Bank in California from Standard Chartered Bank of the UK for \$750m.

Last November, Sony bought the record division of CBS of the US for \$2bn.

Last August, Dainippon Ink and Chemicals made a successful \$550m contested takeover bid for Reichhold Chemicals of the US.

Until recently, Japanese companies eschewed the takeover route when considering overseas expansions, preferring to launch greenfield ventures abroad or go into joint ventures.

attractive one for them. "Now is an ideal time for these bids. Japanese companies are very rich and the prices for US companies are very low," says Mr Remi Calhoun, general manager of Paribas Capital Markets in Tokyo.

For many industrial companies, the latest rise in the yen's value last autumn added a note of urgency to the search for overseas assets. Until then, most companies were managing to overcome the impact of the high yen on the competitiveness of their Japanese factories. But once the yen became stronger than ¥180 to the dollar, they seemed to recognise they could no longer put off overseas expansion.

In the case of Bridgestone, for example, the company is under strong pressure to increase its overseas production capacity. Because of the high yen, it is having increasing difficulty competing in both the home and overseas market with tyres made in Japan. As Japanese motor manufacturers are moving production overseas, Bridgestone feels it has to expand its production abroad too if it wishes to retain these key customers.

A similar case, on a smaller scale, emerged at the beginning of the month, when Showa Denko, a Japanese chemical com-

pany, announced the purchase of a carbon graphite plant in the US from BOC of the UK for \$100m. Showa, which has been exporting a considerable portion of its Japanese carbon graphite output to the US, said it needed a US plant because it could no longer make profits on exports from Japan.

Sony's acquisition of CBS Records seems to be more opportunistic. The company has been looking for a new source of growth and, because of the exchange rate moves, was able to buy it at a fraction of the price that it would have paid a couple of years ago.

"Japanese companies are beginning to take a broader view of foreign acquisitions," says Mr Joe Walker of Morgan Guaranty Bank in Tokyo. "Previously, they would only buy something if it had technology that they could not get any other way. Now they will consider things for market reasons."

Analysts in Tokyo believe that the trend to foreign takeovers by Japanese companies will continue to gather momentum, but only at a gradual pace. This is a new field for them, and the Japanese always like to study new ideas carefully before adopting them, rather than make mistakes through over-hasty action.

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21st March 1988

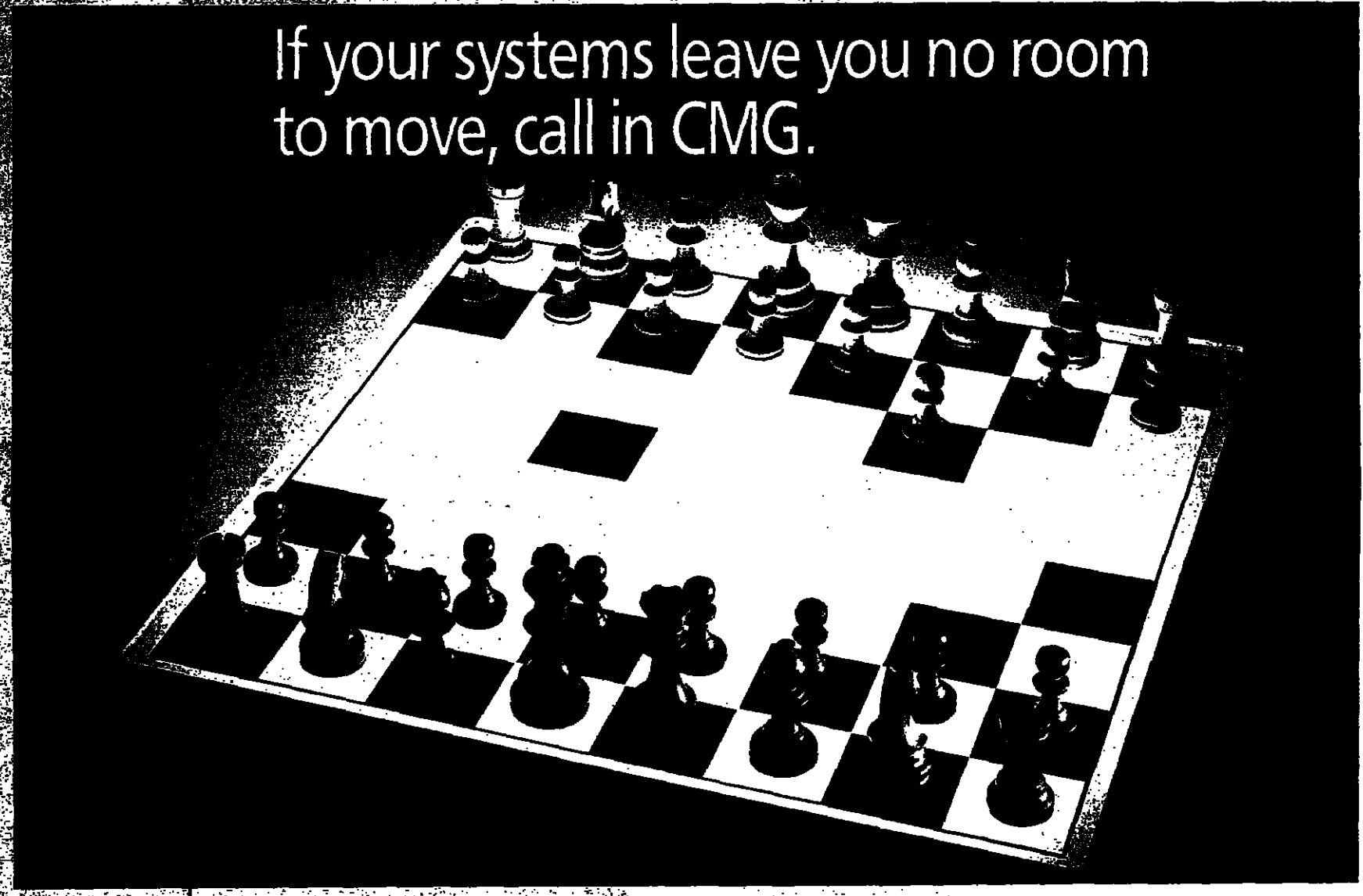
GRANVILLE
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ISIN	Company	Price	Change on week	Div %	Yield %	P/E
6005	As. Brit. Inf. Ind.	192	+5	8.9	4.6	7.2
750	As. Brit. Inf. CUIS	170	+5	10.0	5.2	-
4054	Armitage and Rhodes	30	-1	-	-	-
103104	BBB Design Group (USN)	25	0	2.1	2.7	8.8
795	Barron Group	150	0	2.1	1.7	27.0
910	Bay Technology	135	-3	4.7	3.4	11.0
1638	CCJ Group 1 1/2% Date Pref.	260	0	13.5	4.4	6.7
16813	Carborundum Ind.	132	-2	5.4	4.1	11.8
707	Carborundum 7.5% Pref.	101	0	10.3	10.2	-
3001	George Stur.	206	+6	3.7	1.8	5.3
4829	ISI Group	61	-1	-	-	-
9282	Jackman Group	92	-6	3.4	3.7	10.0
26306	Mittham & W. (M&W)	336	-2	10.9	3.1	13.4
449	Robert Jenkins	46	-2	-	-	2.0
5580	Serations	1240s	0	5.5	4.4	51.8
5076	Turley & Carble	197	-1	6.5	5.4	9.5
2797	Trivium Holdings (USN)	65	0	2.7	4.2	7.8
6468	W. S. Yates	260	+10	16.4	6.4	50.0

Securities designated (US) and (USN) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMESA.

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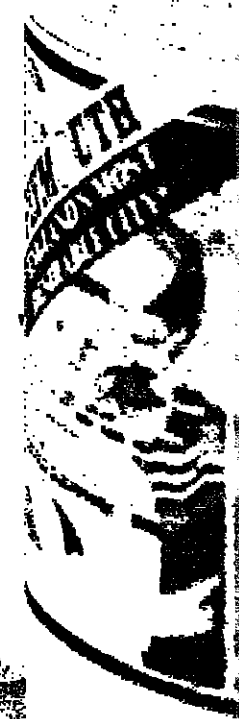
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THE MONDAY PAGE

Uncertain spring in Washington



ANTHONY HARRIS in Washington

WASHINGTON presents a confusing spectacle this spring. The politicians are circling an increasingly powerless President...

The dramas of Central America generate only the temporary excitement of a James Bond film...

At least the indictments fit neatly into the spring scene in one respect: this is the season of charitable giving...

These appeals can catch a large audience because most Americans are spending their

evenings at home at the moment trying to fill in their tax forms...

All the same, one point has been cleared up: gifts are still deductible, provided they are reported...

There are two or three solid-looking reasons for hoping that Mr Prestowitz will fall...

published, which describes Mr Reagan presiding at a Cabinet discussion of the Japanese technological threat...

While it is good to know that the Administration has lived up to its rhetoric, at least in internal arguments...

For example, he wanted not just to break down barriers to US exports, in which he had full support...

doctrine" (which of course it does). He discusses trade in terms of "conquest" and "dismisses rival views as "highly theoretical"...

The nature of the Omnibus Trade Bill should also prove a strong anaesthetic. It is a huge conglomeration of a measure...

Finally, US manufacturers are beginning to rediscover their interest in free trade. In the struggle to fulfil record orders...

goods which have been protected by quota restrictions or voluntary restraints in recent years...

As a result, their representatives have been willing to take on the protectionists in public debate on the issue...

It is occupying some rather depressing Congress time, in which Cabinet members, headed by the Secretary of the Treasury...

EEC, which is attracting a good deal of attention here, and it promises energy security.

Above all, Congress wants to wrap up its unfinished business, which after all includes the Budget, and go out campaigning...

Although Professor James Kennedy no longer appears on every other chat show to explain his theory of the decline of economic empire...

It is occupying some rather depressing Congress time, in which Cabinet members, headed by the Secretary of the Treasury...

INTERVIEW

Britain's single market man

William Dawkins talks to Lord Cockfield, Vice President of the European Commission

ANYBODY who does business on any scale in the European Community will be keeping a wary eye on a doughty, forthrightly hard-working entrepreneur in Brussels for the rest of this year.

He is Arthur, Lord Cockfield, Britain's senior EC Commissioner, responsible for trying to meld the Community into a free internal market by 1992...

So far, the Commission has tabled a radical change in its 300-point programme, ranging from minuscule like common noise levels for lawnmowers to sweeping

the time they hand over the reins to the next Commission at the end of the internal market campaign - "is to reach the stage where the process of European integration is accepted as irreversible throughout the Community..."

So far, the Commission has tabled a radical change in its 300-point programme, ranging from minuscule like common noise levels for lawnmowers to sweeping

measures to ban restrictive practices in many areas of public procurement. Lord Cockfield's reason for trying to get almost all of the measures proposed by December is to leave his successor - the hotly-tipped candidate is Peter Sutherland, the Irish Competition Commissioner - more time to cajole agreement out of member states in their decision-making body...

ing in the Council might help to speed things up, though proposals for more consultation with the European Parliament are threatening to erode that gain by bringing in extra scope for delay.

Public procurement. Here member states are deliberating three proposals, to bring more open competition for public supplies and works contracts and to tighten up ways of enforcing fair competition. Lord Cockfield plans to cap these shortly with plans to extend fair public procurement rules to four sensitive sectors far excluded: telecommunications, energy, water and transport.

Financial services. Lord Cockfield hopes to get final agreement within months on liberalisation measures for the non-life market for big commercial risks already agreed in principle by member states. Also on the table are plans to dismantle barriers to international banking and separate laws on banks' capital base. Common rules on solvency ratios - the balance between capital and assets - are due to come forward soon.

But will he really be able to deliver? Before he launched the internal market project soon after arriving in Brussels on January 1, 1985, Lord Cockfield was criticised in many quarters as being a yes-man - and a bumbling one at that - for Mrs Margaret Thatcher, the British Prime Minister, and with no European interests. In the event, nothing could have proved further from the truth.

While he is occasionally a shrewd tactician in the Council, Lord Cockfield is not a born diplomat. He frequently annoys Ministers with irony and erudition and is equally at home quoting from Lewis Carroll and 17th century English case law. Yet his remorselessly logical approach does not help to patch together the often ad-hoc compromises necessary to wheedle agreement out of 12 member states during heated Council sessions.

Wide personal warmth is not Lord Cockfield's forte, officials say he rarely forgets to give praise where it is due. His speech may be ponderous and grinding, but it comes from a disciplined and logical mind, striking contrast to some of his less intellectually endowed colleagues. Moreover, his former lives as a barrister, Island Revenue Commissioner, Chairman of Boots and UK Trade Secretary, makes him a match for any bureaucrat, businessman or politician he is

likely to meet. These same qualities make him one of the very few members of the Brussels executive who commands respect from Mr Jacques Delors, the Commission President.

While he is occasionally a shrewd tactician in the Council, Lord Cockfield is not a born diplomat. He frequently annoys Ministers with irony and erudition and is equally at home quoting from Lewis Carroll and 17th century English case law. Yet his remorselessly logical approach does not help to patch together the often ad-hoc compromises necessary to wheedle agreement out of 12 member states during heated Council sessions.

But whatever battles he ahead, Lord Cockfield appears imperious, perhaps because he is so obviously at home at the heart of the Brussels bureaucracy in a way that only a former UK Inland Revenue Commissioner could be. "The great attraction of this job is that it is a real opportunity to do something concrete. And you have just long enough in four years to do it," he says. The proof of that will come in December, when Lord Cockfield presents his report on the half-way stage of the 1992 campaign to the final European Summit of this Commission.

Paradox of the death sentence

THE TEMPORARY reprieve from the gallows for the Sharpeville Six means the end of a week of international outrage, the case will sink back into the parochial obscurity of South Africa. There are, however, some sharp lessons to be learned by those who wish to retain the death penalty for murder - not least the British parliamentarians who will soon, once again, be debating capital punishment, this time in the shadow of the grisly events of West Belfast.

Had it not been for the penalty given to the crime of which the Sharpeville Six were convicted, it is doubtful whether more than a handful of anti-apartheid officials would have kept abreast of the case. The imminence of the executions concentrated the minds both of those implacably opposed to the punishment of death and of those who saw some political mileage in whipping up international opinion. If the hangings had gone ahead, what price would there have been on life in this 28th anniversary week of that other Sharpeville massacre?

The great irony is that over the last seven days are eloquent testimony that political martyrdom, fostered by the use of the hangman's rope, is a recipe for retaliation and the escalation of murderous killings. Recent opinion polls show that this has persuaded successive Home Secretaries since the troubles began in Northern Ireland in 1969 (with the notable exception of Mr Leon Brittan) to pronounce total opposition to the death penalty for terrorist killings.

It is a paradox that the most unrepentant murderers, who in retributive terms do most to forfeit their own lives, must necessarily not be the candidates for the condign punishment of death. Yet if the law enforcement agencies were to insist on capital punishment on the streets in order to counter instant terrorist activity, there might be an argument for the state exercising the power after a proper judicial process. There is a powerful lobby of opinion, however, who insist that this has persuaded successive Home Secretaries since the troubles began in Northern Ireland in 1969 (with the notable exception of Mr Leon Brittan) to pronounce total opposition to the death penalty for terrorist killings.



JUSTINIAN

When capital punishment operated in Britain before 1965 it was an unwritten rule that if the sentence was substituted for the death sentence in the court room and the completion of the appeal process was more than 90 days the sentence was automatically commuted. The principle was that hanging a man for murder was not tolerable only if it was done within a reasonably short time.

Such a system was proposed in Britain by the Lord Chief Justice in 1965, but instead the judges were given only the power to recommend the minimum period that a life sentence prisoner should actually serve. In the context of the parole system, that discretionary power of recommendation, only sparingly resorted to by the judges over the last two decades, has not worked well. The chairman of the Parole Board, Lord Winchesham, has publicly advocated a change to the maximum penalty of life imprisonment for all homicide offences. It is a view that may emerge more powerfully when capital punishment is debated later this year.

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Advertisement for Plymouth, Devon, featuring a map and text: 'Looking to re-locate? Here's a list of all the cities and towns on the south coast with Government Assisted Area Status. PLYMOUTH, PLYMOUTH, PLYMOUTH, PLYMOUTH, PLYMOUTH, PLYMOUTH, PLYMOUTH and PLYMOUTH. When you're making a major move, you need all the help you can get. That's where we have the advantage. Not only can we offer you Government Grant Assistance, but also a sophisticated infrastructure that's been built up to serve companies like Wrigley's, Becton Dickinson, British Aerospace, Toshiba, Plessey and Texas Instruments. And there are other benefits. Like rent levels that are currently half those of the Thames Valley. A communications network that can get you to London in an hour, Birmingham in around three hours, and Santander in less than twenty-four hours. Plymouth is the best place to live in urban England. That's the finding of 2 years' research by Glasgow University. The quality of life here cannot be equalled, and we're surrounded by countryside with everything from bracing moorland to exhilarating watersports. A stable and receptive workforce. A plentiful supply of housing. And the list goes on. Get the complete version from Peter Burrows on 0752 264885. PLYMOUTH Devon comes to London at the Glaziers Hall 26th - 27th April Phone (0592) 272166 for an invitation.

ARTS

Architecture/Colin Amery

Throw off your mantle of deceptions

Charles Holden (1875-1960) is best known as the architect of London Transport's finest underground stations...

Bristol Central Library and the BMA Building in the Strand (now Zimbabwe House) - he is under the influence of architects like Beresford Pite, John Belcher and Charles Harrison Townsend.

When in doubt, leave it out," and this philosophy is perfectly realised in his War Commemorative. The austere British Cemetery in Belgium is a double colonnade with twin block-like pavilions that almost embody the spirit of gun emplacements.

The eleven years that Holden worked for the Imperial War Graves Commission produced some of his most poetic work. The memorials and cemeteries demonstrate the architectural theories that underlie so much of his later work for London Transport and London University.

Under the enlightened patronage of Frank Pick of London Transport, whom he met in 1915, Holden was to achieve the greatest triumph of his career: the design of the Underground stations as the lines ran out to the suburbs. The earlier stations on the Morning Line extension, and the later ones built in the thirties as the Piccadilly line rolled out towards Hertfordshire, are classics of clear and logical design.



Portrait of Charles Holden by F. Dodd

In his foreword to the catalogue Sir John Summerson says that Holden was "the last of the Edwardians and the first of the English Moderns."

All good architecture has within it principles and forms which are universal and timeless: Holden's work is exceptional because his buildings fulfil utilitarian functions while offering powerful architectural experiences using a language of angular severity.

Lear/Zurich

Andrew Clark

Ten years after its Munich premiere, Arribert Reimann's Lear is already regarded as one of the most challenging examples of German music-theatre to have emerged since the war.

Each of the swiftly succeeding German music-theatre productions has been an example of musical insight into psychology and character: the most telling are the concentrated brass and woodwind figurations signifying the power-mania of Regan and Goneril.

Two young couples in the Kansas dustbowl: while the men struggle to keep their cow in milk, the women fight to keep their washing white on the line, as each by inch the soil of their farm is swept off the land and splattered across it.

Holy Days/Soho Poly

Claire Armitstead

navies are being signed up to work on a new road provides the only significant awareness of a world outside, and also the only real bit of plot, emphasising the Gant's departure to earn some badly needed money (and escape the despair of his wretched wife).

The musical language may in certain places have the delicacy of a battering ram, but it unquestionably gives the opera a viable dramatic character of its own.

The stage production seemed calculated to bring out all the modern brutalist associations of Reimann's design: the stark, angular, almost abstract forms of the set.

Brian Stirner's production catches the atmosphere in painstaking detail: when Rosie wearily lifts the rest from a jug one can sense the dust raining into it. Brid Brennan brings to the part an extraordinary and compelling restraint, unfolding like an unglamorous version of Meryl Streep. The scope for comparison, if unflattering, is self-evidently obvious.



Barbara Barnes as Molly in "Holy Days"

Playbill/Royalty

Michael Coveney



Paul Eddington and Dorothy Tutin in "The Browning Version"

Forty years on, the two short plays first presented by TERENCE RATTIGAN under the banner of "Playbill" still constitute a good evening's entertainment.

Harlequinade is a buoyant backstage farce in which a theatrical touring couple, a pair of downmarket Luants, rehearse scenes and jokes amidst revelations of bigamy and unexpected paternity.

about to let the "social purpose" of an Arts Council tour (when written, it was still the C.E.M.A.) interfere with a flatteringly obsequious lighting plot.

Under Tim Luscombe's direction, Miss Tutin seems miraculously to have shed the middle-European gurgling mannerisms that have so disfigured her work in recent years.

Harlequinade is here given first, and somewhat apologetically, by Rattigan and his troupe. This souflé following the main course of The Browning Version, as it did in the National Theatre revival of 1980, I fear the hideousness of this theatre with its enormous untidy stage and grim conference centre of an auditorium proves an insuperable obstacle to high spirits.

Carl Toms has designed two interlocking sets, one of cardboard shabbiness, the other of Harroviae gentility, that gamely combat the arena. There is notable support in both plays from Julie Dainoff, Cole, Jack Watling and John Duttine, and a blast of Julie Walters-style gale-force Brumminess from Sarah-Jane Holtz (daughter of Ian) as the illicit fruit of a previous engagement.

Absolute Hell/Orange Tree, Richmond

Martin Hoyle

"If it's not bombs it's socialism," turns up the pearls of peace-theatre in 1988.

change the Labour victory, the American presence, both bounteous and bountiful, the awakening of social awareness.

wrist, is a masterpiece, not least when his furious outburst against a thoughtlessly destructive critic (sturdy Carol Macready puffing a cigar, accompanied by her uniformed Wren chum Bill, played by Lisa Sandovry) is upstaged and mocked in clownish dumb-show.

The period, familiar from Muriel Spark's Girls of Slender Means, "when all the nice people were poor," marks momentous

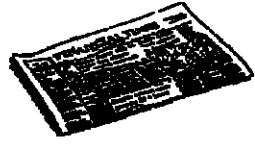
change the Labour victory, the American presence, both bounteous and bountiful, the awakening of social awareness. Mr Ackland's play was performed in 1982 but re-written in the 60s with, one assumes, franker language and more open treatment of sex.

The cramped quarters of the Orange Tree's tiny space emphasise the cartoon element in the dawn Gogolian grotesques of the dawn age of austerity, and how they clash with the more naturalistically depicted characters. Sam Walters' security-conscious, the tomsay miracle, here deploying 18 actors on a few square feet with no wings or backstage facilities, and the result is often funny and moving, but ungratefully I would love to see the play in a procession arch, its artifice perfectly in keeping with the work's consciously "theatrical" methods.

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Arts Guide

March 18-24

Music

LONDON

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy with Vyvica Ashkenazy on piano and Cecilia Arming on harp. Berlioz, Mozart, Franck and Mahler. Royal Festival Hall (Tue), 628 3191.

Ensemble Orchestral de Paris conducted by Emmanuel Krivine with Marielle Nordmann on harp and Patricia Fontanauro, violin. Jean-Francois Spohr, Antonin Dvorak, Franz Schubert (Tue), Salle Pleyel 45 16 30.

and Alexander Barantchik, violin; Bach, Schmitt, Haydn (Mon), 66 38 30.

TOKYO

Tokyo City Philharmonic Orchestra, conducted by Shunsaku Tazutani. Bach St. Matthew Passion, Kantata Hoken Hall, Gotanda (Mon at 3pm), 464 3073.

Ensemble Orchestral de Paris conducted by Emmanuel Krivine with Marielle Nordmann on harp and Patricia Fontanauro, violin. Jean-Francois Spohr, Antonin Dvorak, Franz Schubert (Tue), Salle Pleyel 45 16 30.

NEW YORK

Mazzelle Pollard piano recital. All-Bethoven programmes (Mon), Carnegie Hall 647 7800.

PARIS

Nady Meeple, soprano, Richard Cowan, baritone. Jeff Cohen, piano. Mozart, Strauss, Wagner, Verdi

NETHERLANDS

Amsterdam, Concertgebouw. Recital Hall: Neil Mackie, tenor, accompanied by Roger Vignoles. Purcell, Britten, Beethoven, Henze (Tue), The Netherlands String Sextet: Brahms (Thu).

WASHINGTON

Philadelphia Orchestra. Charles Dutoit conducting. Schloomo Mintz violin. Prokofiev, Barber, Rachmaninov, Ravel (Wed), Kennedy Center Concert Hall 624 3778.

Saleroom/Antony Thorncroft

19th century domination

Paintings of the 19th century dominate the salerooms this week. Both Sotheby's (on Wednesday) and Christie's (on Thursday) have excellent auctions of Scandinavian pictures, while on Friday Christie's holds a major sale of 19th century art from the UK and the rest of Europe.

The highlight is the offering of five paintings from the Leverhulme collection, probably the finest British collection of Victorian art. Sold by Viscount Leverhulme, the star lot is Slaver, a portrait of a classical beauty, lightly draped, by Albert Moore. It was bought by the vendor's grandfather from the artist after its exhibition at the Royal Academy in 1886. A price of around £200,000 is anticipated.

Sotheby's is offering two Victoria Crosses in London today. One was awarded posthumously to Lance Naik Sher Shah, who killed 23 Japanese attackers while defending a position in Burma in 1945. It carries an upper estimate of £15,000.

The English drawings and watercolours auction at Christie's tomorrow is dominated by one Turner landscape and four by Gainsborough. The former's view of Florence, dating from the late 1820s, should realise £20,000, while the Gainsborough studies range in estimate from £10,000 to £30,000.

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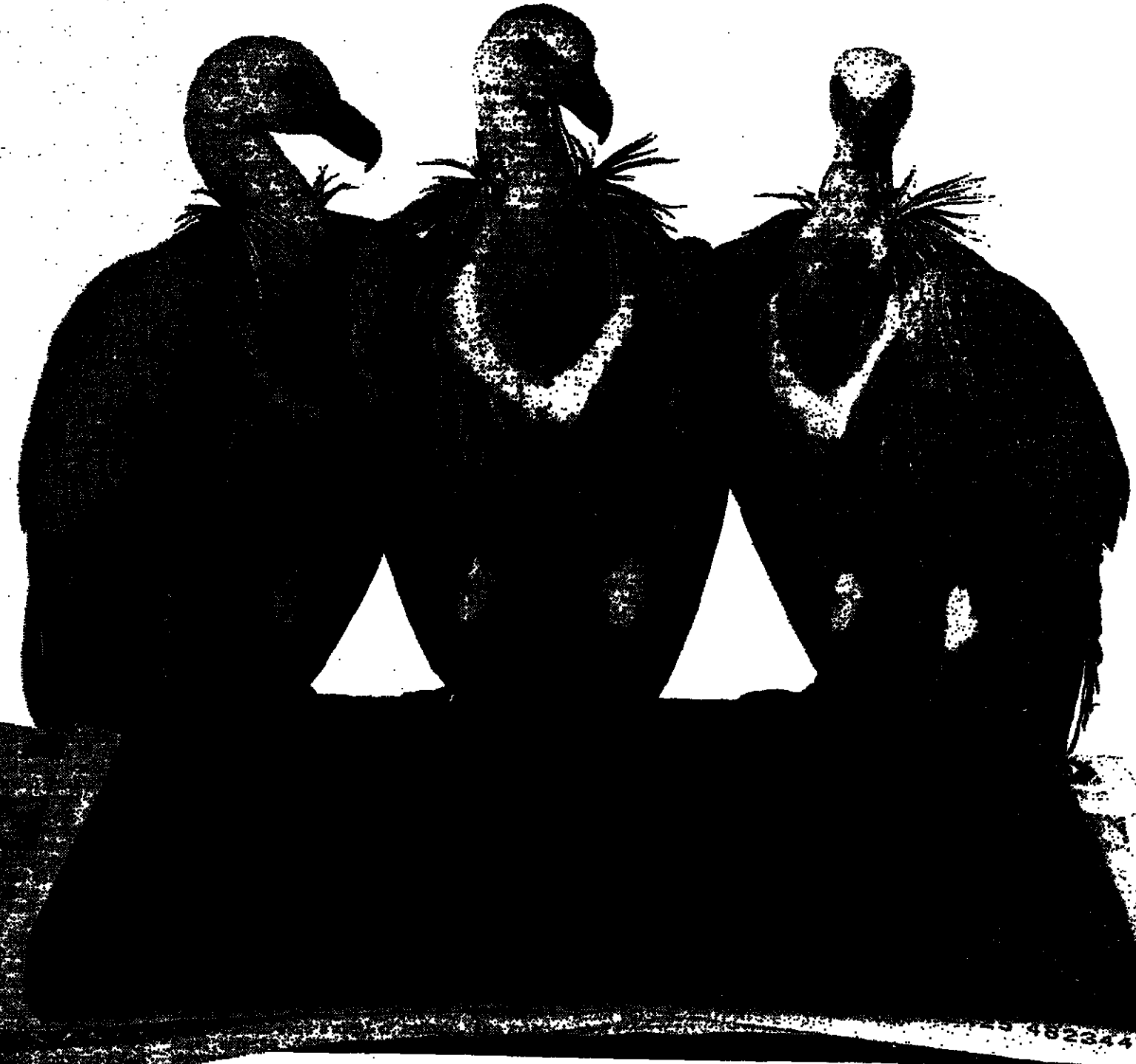
With us, the pre-project phase is much shorter, but it still gives you everything you need to make your decision about the investment.

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far as possible into the building process. Your project is broken down into many contracts, which we buy for you from competing contractors. You only pay net prices.

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Today we are a growing British company eager to show our merits.

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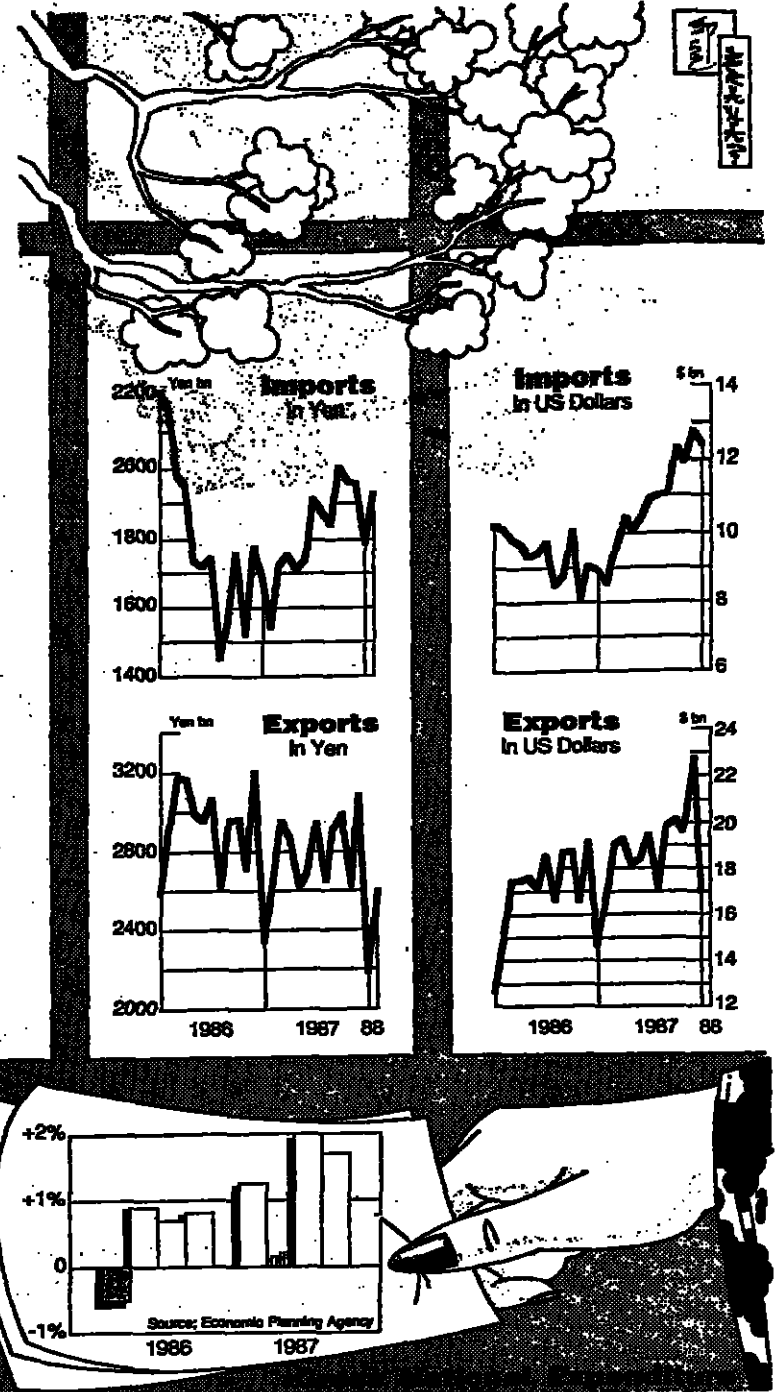
FINANCIAL TIMES

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Monday March 21 1988

Ian Rodger reports on Japan's changing economy and its growing thirst for imports

The market opens at last



example, it is possible that Japan's economy could overheat in the next few months, leading to inflation, a tightening of the money supply and a slump in the stock and bond markets, which could undermine consumer spending and the growth in imports.

Exchange rate movements are always of concern, although there is a rare feeling of stability in Tokyo these days. Interestingly, this has developed even though Japanese portfolio investors are still very cautious about investing new funds in US securities markets. It looks as if the vital flow of capital from the US is being assured by the surge in direct investment.

If the US trade deficit does not improve in the next few months, the dollar could again come under pressure. Economists fear that any further sudden rise in the yen could take the stuffing out of Japan's recovery.

On the other hand, any significant weakening in the yen could cause manufacturers to scale down their overseas expansion plans and revert to exporting. Mr Ichizo Yamauchi, of Nomura Research Institute, says the best case

The disgrace of Dundee

TRADE UNION leaders meet today in a last-ditch attempt to resolve their differences over a single-union agreement for Ford of America's now-abandoned proposal for a \$40m electronics plant at Dundee in Scotland. Whatever they decide - and their only hope is to sweep all objections aside and agree to the deal reached by the AEU engineering union - may be too little, too late. It is just possible that lurking behind Ford's scrapping of the proposed plant is a dramatic attempt to end five months of inter-union wrangling, but virtually all the indicators, public and private, are that Ford means it for real.

Ford needed to produce competitively at Dundee, and that meant wage rates reflecting pay locally and in the electronics sector. Ford also had to be sure of continuity of supply. It is a tribute to Ford UK's and Britain's much-improved pattern of labour relations that the company chose to come to the UK at all. But Ford's first British national strike for a decade, and the industrial disputes which surrounded it, have once again thrown up doubts about how far Britain really has shrugged off the 1970s.

Informal policy

Ford Dundee will be the overt agenda for today's meetings at the TUC. But what will be its unspoken subject is the role for unions in Britain in the 1980s.

Since Ford announced its decision, the unions have been castigated for having failed to adapt to such new industrial relations developments as single-union agreements and strike-free deals.

A closer look at the unions' most important level of activity - within individual enterprises - does not bear this out, but suggests that many employees including union members, and local union officials, not only recognise the new realities but have done so for some time.

What remains a real political, social and industrial problem is the attitude of some national

union leaders. Had the plant been planned for South Wales, say, or the North-east, Ford would not have ended up abandoning it - because the regional TUCs in those areas have for some years successfully operated an informal policy which sees other unions withdraw once one has won a single-union deal. At national level the TUC also has before it proposals on single-unionism which, had they been in place, would probably have prevented the Dundee row.

But those suggestions have run into considerable national-level union opposition. Significantly, the unions which over Dundee have been praised for their "realistic" attitudes, such as the AEU and the ICFWU electricians, have been as strongly opposed to the TUC's single-union proposals as have those who have been damned over Dundee, such as the TGWU transport workers and the new MSF general technical union.

As a minimum, in addition to agreeing fully to the AEU's deal for Dundee, the unions must now commit themselves to these new, and better proposals to deal with disputes over single-union deals. This would allow unions to respond to the market pressures from employers. Otherwise, they face having to come to terms with the other and growing market pressure of non-unionism, which is largely and successfully being chosen by employers in just such sectors as the Scottish electronics industry.

Job destruction

But the unions need to do more. The TUC should establish an employment department (which, astonishingly, it does not have), complete with an inward investment unit, aimed at maximising trade union support for new companies and new jobs - and, perhaps even new union members. Only when the unions begin to make such moves away from job destruction and towards job creation, will what is for them collectively the disgrace of Dundee start to be erased.

Hard truths of 1992

WHEN BRITAIN nominated Lord Cockfield as its senior member of the European Commission in 1984, the choice was widely viewed as unimpeachable and a snub to Brussels. Then in his late sixties, little in his personal or political credentials seemed to mark him out as a well-qualified candidate.

However, in the past three years he has proved astonishingly effective in his job. As chief custodian of the EC's 1992 single market plan, he has seized command of what is arguably Europe's most important economic integration initiative since the Rome Treaty and moved it forward with vigour and determination.

Abandoning the discredited EC doctrine of imposed harmonisation and centralised regulation, he has placed the emphasis on radical liberalisation and the recognition of national rules and standards. Though even this politically more realistic approach has not prevented slippage in the legislative timetable, progress so far owes much to his dogged persistence in holding the commission and EC ministers to their obligations.

At times, he has perhaps gone too far. His dogmatic insistence on the need to align national indirect taxes is based on debatable economic logic and has engendered political hostility which could jeopardise other, more important, parts of the single market plan. Nor have his high-handed manner and apparent pleasure at dressing down ministers like unruly schoolboys advanced the plan's progress.

Closer integration
Nowhere has his performance more visibly aroused political hostility than in Whitehall. Suspicions of "disloyalty" have bred a growing whispering campaign, suggesting that he is unlikely to be reappointed when his term expires at the end of this year.

The case against him is muddled. He is accused of not having stood up for the British Government view. Yet the prime duty of a commissioner is - or should be - to act in the interests of the whole EC, not as the spokesman of his own country. More oddly, his principal sin appears to be an excess of zeal in implementing the very model of a freer European market which successive UK governments have long held up as the EC's holy grail. Official

British criticisms have sometimes been dressed up in suggestions that he is half-bent on harmonising the EC's own rules. That is unfair, and conflicts with complaints heard elsewhere in Europe that he is an unrecruited Anglo-Saxon liberal.

The truth seems to be that Britain is only now awakening to the practical consequences of the genuine common market it has demanded for so long and to which it and other EC countries committed themselves by treaty in 1985. By definition, closer integration cannot be achieved without compromise and some surrender of national autonomy. Any system which forces others to open their markets requires reciprocal concessions.

No EC government finds that easy, and all are guilty of a wide gap between what they say about 1992 and what they do in Brussels. But some, at least, have realised that no progress can be made simply by expecting the rest of Europe to become just like them. West Germany's recent agreement, after many years of foot-dragging, to Community-wide competition in industrial insurance is a striking example, which represents a huge concession to the UK.

Petty cavils
Much the most worrying feature of current British attitudes, however, is that they hint at a cooling towards some key aspects of the enterprise. Doubts are being voiced in some quarters about whether the City of London's role as Western Europe's premier international financial market is best advanced by encouraging liberalisation elsewhere in the EC. That is shortsighted thinking. The efficiency of the City and other industrial sectors is best promoted by keen international competition, not by encouraging other centres to remain under-developed.

Strange timing
The date was of some significance, even if not all of the Prime Minister's advisers noticed it, for it was almost the eve of the Anglo-Irish Agreement, which was to change British policy to Northern Ireland fundamentally. Once the Agreement was signed, the British Government was no longer automatically disposed to favour the Ulster Unionists. Britain also accepted the claim of the Irish Government to be allowed a hearing when it came to making Ulster policy.

Because of the timing, King played almost no part in the shaping of the Agreement. Indeed, his early reaction to it was one of

terms, with domestic demand growing by 5 per cent.

The recovery has been stimulated by exceptionally easy monetary conditions, leading to a boom in housebuilding and, in the latter part of the year, a surge in spending on public works. This year, these two sectors will probably remain strong because monetary conditions seem set to remain relaxed and the Government has committed itself to maintaining last year's level of public works expenditure.

Meanwhile, economic activity is being further stimulated, partly by improved private sector investment in plant and equipment and partly by strong growth in consumer demand. According to one recent survey, corporate capital spending might rise 6.4 per cent this year, with spending in manufacturing rising 12.5 per cent, after sharp declines in the past two years.

On the consumer side, the key factors are the rapid rise in the number of people in work and the prospect of big increases in disposable income. Nearly 1.5m extra jobs have been created in Japan in the past two years. The labour market is exceptionally tight, with the ratio of job offers to seekers reaching 0.85 in January, the highest level since the early 1970s.

The leading trade unions are expected to win significant rises in wages, perhaps 5 per cent, in the annual negotiations this spring. Another boost to

Some import categories have grown spectacularly. The value of Japan's car imports in February was more than three times the level a year before

incomes will come from the ¥2,500bn (£120n) of tax cuts that the Government has agreed to implement this spring. Another boost to

The Japanese earned more than anyone else in the world last year, with income per head up more than 20 per cent to \$19,642, according to government officials - though most of the rise was due to appreciation of the yen against the dollar.

Stronger consumer demand can already be seen in the sales trends for key products. New car sales were up 14 per cent in January and 17 per cent last month. In December, domestic shipments of colour television sets rose 14 per cent on the January of 1987, and cassette recorders soared 28 per cent.

Spending on holidays is also rising rapidly. The Japan Travel Bureau has predicted that 7.5m Japanese will travel overseas this year, up 10 per cent compared with last year.

The country's buoyancy is expected to persist until the end of next year and probably longer because the Government will want to maintain a climate that provides jobs for people displaced by the structural changes occurring in manufacturing industry.

Although the conditions for strong import growth seem secure, it will not be enough to bring about a rapid decline in Japan's huge trade surplus. For this to happen, exports must weaken and, so far, the country's export performance has shown a surprising resilience. In part, this is due to the continuing impact of the yen's effect as the yen keeps rising. (A rise in a country's currency creates an apparently perverse initial increase in the value of its exports, then a delay before a declining trend sets in.) The export performance also reflects the remarkable ability of many Japanese manufac-

tures to adapt to the higher yen and so continue to export profitably.

However, last autumn's rise in the yen's value to less than ¥130 to the dollar appears to have represented the breaking point for many companies, leading them to decide that it was time to reduce exports and to accelerate plans for moving production overseas. "The appreciation of the yen has been enough to make the management of top Japanese companies realise that the world has changed," Mr Kiuchi says.

Indeed, such is the urgency in some cases that Japanese companies, which have long preferred to build their own plants abroad, are beginning to buy existing production assets overseas. One example is Bridgestone's determined attempt to acquire the tyre operations of Firestone Tire and Rubber Co. of the US, culminating in Friday's \$2.6bn agreed bid.

Other companies are already well along the way. Producers of audio products, for example, now make only 17 per cent of their radio cassette tape recorders in Japan compared with 57 per cent two years ago. The Japanese motor industry is expected to produce 1.8m cars there by 1990, compared with some 500,000 last year. The impact of these moves on the trade balance could be substantial if the US production displaced exports from Japan - though Japanese carmakers say they do not expect that to happen. None the less, if Honda's gambit in importing cars turns out to be more than an isolated token gesture, there would be a double impact on the trade balance.

For the moment, however, the shift of production assets abroad seems to be producing a net effect. Japan's export performance is being held up by strong growth in the export of capital goods. This has been rising rapidly in recent months, partly because of the need to equip the new Japanese factories abroad. Last month, for example, exports of machinery were up 28 per cent, while exports of consumer products, such as cars, were flat or down.

Some economists think this phenomenon could last for some time. "In the first five years of an overseas plant, costs tend to be high," says Mr Elizabeth Sarantis, the securities group, Citicorp's Sacramento Vickers, in Tokyo.

The impact on Japan's trade with its major partners has varied. The lingering currency J-curve effect and the export of capital equipment apply in particular to the US and the United States industrialising countries (USICs) in Asia.

Thus, there is optimism in Tokyo that the trade surplus with these areas are now, or will soon be, on a declining trend. In the past year, for example, merchandise export growth rates in the US were up 10 per cent for only one month. Import growth rates, on the other hand, have continued to accelerate.

Trends with the European Community (EC) are more of a problem. While import growth has been very high (61 per cent last month), export growth rates have also remained strong. This suggests that Japanese exporters have been turning their focus from the US to the EC, where currencies have not fallen so much against the yen and so sales are more profitable. It remains to be seen if the European commission's plan to put her full weight behind it.

Even leading Catholic politicians in Ulster came to believe that whatever they thought about Thatcher's economic policies, the continuation of a Conservative Government under her leadership would be better for Ireland.

Eye off the ball
Since then Armstrong has retired, a number of other key officials on both the British and the Irish side have moved on to new tasks and the Prime Minister has plainly taken her eye off the ball.

The Irish Prime Minister is now Charles Haughey, who was leader of the opposition when the Agreement was signed and somewhat critical of its content. Yet, in office, he has stuck to it in spite of what must be strong domestic pressure to denounce what looks like a string of British cock-ups over the last few months.

Thatcher's attitude towards Haughey nowadays is like that of a blind lover: the phrase comes from a British Cabinet Minister who has watched events unfold. It was Haughey who, in an earlier period as Irish leader, first mooted the idea of a closer Anglo-Irish relationship, then incurred displeasure in No 10 Downing Street for going public too early and suggesting that more had been agreed than was actually the case. He has not been forgiven.

Yet, at the British end, it should be perfectly possible to make up the quarrel. There is now a group of senior Ministers with experience of and interest in

the Irish question: Home Secretary Hurd and the Foreign Secretary, Sir Geoffrey Howe, as well as King himself. Together they ought to be able to persuade their leader that Ulster should come back to the top of the political agenda.

Electronic warfare
One of the subjects to which they need to draw more public attention is the sheer sophistication of the warfare: the electronic warfare especially. The IRA's attempted offensive in Gibraltar two weeks ago came very close to succeeding. It could only have got that far because the IRA was using the most advanced listening devices and other forms of electronic communications.

Equally, of course, the security forces use the latest state of the art in trying to break the net. But I do not think that the extent to which the battle with the IRA has a hi-tech war is generally known.

Nor is it widely appreciated that there is believed to be a stock of weaponry in Ireland that goes way beyond the needs and current practices of the IRA, even if they were simply piling up reserves for use to the end of the century.

That is one of the reasons why Haughey is worried, for ultimately the IRA is aimed far more at the constitutional Irish state than at mainland Britain. Haughey cannot easily get out of the Anglo-Irish Agreement even if he wants to, for he has nowhere else to turn.

Anarchy
There is a widespread disposition to say that the Irish are at it again and that their problem is insoluble. Yet it is hard to see how leaving all to Tom King makes it any better.

What we have now is a situation where almost anyone will believe almost anything: is an unarmed man in an odd place at a plain clothes member of the SAS or what? In short, there is anarchy where there could be some firmer attempt at government.

King over the water

It has become hard not to feel sorry for Tom King, the Northern Ireland Secretary who will make yet another statement in the House of Commons tomorrow about the latest - and perhaps most sickening - turn of events in the Province: the killing of the two British soldiers on Saturday.

King used to be a sort of all-purpose Minister, available to be shuffled from post to post whenever the Thatcher Cabinet had a hole in it. The Prime Minister kept him out of the first term when she formed her initial administration in 1979, even though he had served three not unsuccessful years as Shadow Spokesman for Energy.

By early 1983, however, he was Secretary of State for Environment. In that year alone he held three successive Cabinet posts: Environment, Transport and Employment, which must be some kind of record.

He was moved from Employment to Northern Ireland in September 1985 when Margaret Thatcher was going through one of her hours of ruthlessness. She removed Leon Brittan from the Home Office, installed Douglas Hurd, the previous Northern Ireland Secretary, in his place and sent King to Ulster.

Proving himself
Yet over the last couple of years he had begun to prove himself. The closer relationship with Dublin, which the Anglo-Irish Agreement was meant to bring about, has been maintained, despite the manifold strains. King has done his best to talk to those Unionists who will listen and has gone a long way towards calming down some of the more raucous voices on the Irish problem in the United States. His standing in the House of Commons has grown.

Kevin McNamara, the Labour Party Spokesman on Northern Ireland affairs who is normally pretty critical of Government policy, acknowledged most of that when he said on BBC Radio 4 yesterday that he had some sympathy for the Secretary of State.

What has happened is that King has run up against an old truth, namely that, in times of crisis, British policy towards Ireland can only be effective if the full authority of the British Government is seen to be behind it.

That was shown in 1973 when Willie Whitelaw pulled off the Sunningdale Agreement with considerable Irish help, only for it to be forgotten when the British ran into domestic difficulties

of their own involving a coal strike and a premature general election.

It was shown again in the Anglo-Irish Agreement, which would never have been achieved had not Robert Armstrong, the then British Cabinet Secretary, persuaded the Prime Minister to put her full weight behind it.

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Because of the timing, King played almost no part in the shaping of the Agreement. Indeed, his early reaction to it was one of

some suspicion. It was he who had to deal with the Unionist reaction, which was one of "Ulster says No."

The fact that his reputation at home was not very high did not help. "Nice man," Cabinet colleagues would say, "but all talk...could talk the hindlegs off a donkey, which may be of course but what you want in the circumstances." He is, in fact, a trifle verbose.

The low domestic reputation had its effect in Belfast and Dublin. King was seen as a stop-gap, whose appointment was a sure sign that Britain did not take the Irish question seriously.

OBSERVER

Divide the square into four identical sections. Each section must contain the same 9 letters which can be arranged into a familiar 9-letter word.

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of their own involving a coal strike and a premature general election.

It was shown again in the Anglo-Irish Agreement, which would never have been achieved had not Robert Armstrong, the then British Cabinet Secretary, persuaded the Prime Minister to put her full weight behind it.

Even leading Catholic politicians in Ulster came to believe that whatever they thought about Thatcher's economic policies, the continuation of a Conservative Government under her leadership would be better for Ireland.

No. 6 Square

Divide the square into four identical sections. Each section must contain the same 9 letters which can be arranged into a familiar 9-letter word.

B	R	C	A	R	I
I	T	O	T	A	O
C	A	A	C	C	B
B	C	I	O	I	C
C	A	A	B	C	A
T	R	A	T	O	R

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(For those who are utterly puzzled, answers are available from the above address.)

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A POST-BUDGET cut in interest rates is nowadays taken for granted by Conservative Chancellor of the Exchequer. It is their due reward from financial markets for fiscal prudence.

The half point cut in bank base rate to 8 1/4 per cent last week was thus a ringing endorsement of last Tuesday's announcement of radical tax cuts and the first public sector financial surplus for nearly 20 years.

It also served to damp down the messy dispute over the exchange rate between the Chancellor and the Prime Minister. By reducing borrowing costs to stem a renewed surge in the pound's value, Mr Nigel Lawson would claim that he had re-established his control over policy.

The flood of overseas funds into sterling, however, was a vote of confidence that Mr Lawson would happily have done without. The cut in interest rates was not a carefully orchestrated piece of financial theatre. It was forced on him by the foreign exchange markets.

It, as Mrs Thatcher asserts, she and the Chancellor are once again part of "one big happy family" the fundamental policy dilemma behind their initial dispute remains unresolved.

The framework of exchange rate stability so carefully constructed by Mr Lawson is still standing, but the foundations have shifted and are threatening to crack. Industry is demanding a degree of stability for the pound but no clarification of what that means in terms of dollars and D-Marks.

Officially, of course, there has been no change in policy. For the record that remains as follows: the Government's overriding aim is to maintain steady downward pressure on inflation; within that context it will seek to provide a stable environment for businessmen by resisting large fluctuations in the money supply.

The problem occurs when the two objectives threaten to conflict. Mr Lawson has only one significant weapon - interest rates - to achieve both ends.

It was that dilemma - the need to maintain a stable pound with a credible anti-inflation stance - which was behind the decision two weeks ago to allow sterling to rise above the DM 3.00 ceiling defended for the previous year.

The official judgment was that the flow of overseas funds was so strong as to make large-scale intervention in foreign exchange markets to keep it below DM 3.00 unworkable.

The Bank of England's sales of sterling to meet overseas demand were exceeding a steady rapid growth in the money supply. Immediate efforts to offset the monetary expansion through issues of gilt-edged securities - so-called sterilisation - might merely have added to the demand by holding up the level of interest rates.

Philip Stephens examines an economic policy dilemma facing the British Government



Trying to reconcile conflicting goals

Alternatively, of course, Mr Lawson could have cut interest rates before the Budget. That would have made sterling less attractive to overseas investors and perhaps kept it below DM 3.00. It would not, however, have enhanced the credibility of his anti-inflation commitment.

In the cloud of the claims and counter-claims of the past two weeks, it is difficult to know whether Mr Lawson was prepared to take the risk but was overruled by Mrs Thatcher.

The Prime Minister is said to have been irritated by Mr Lawson's sometimes oblique and occasionally more explicit suggestions that Britain had taken up shadow membership of the European Monetary System.

Against that, the Chancellor probably needed little convincing that the signals from the economy pointed to the need for a cautious stance on interest rates to restrain the growth rate of demand.

cent and earnings by 8.5 per cent, while levels of capacity utilisation in manufacturing industry are back to the levels of 1979.

In parallel, much slower growth in overseas economies and a loss in Britain's competitiveness as a result of sterling's appreciation during 1987 is being reflected in a fairly rapid deterioration in Britain's trade position.

The Treasury's forecast of a 2 1/2 per cent current account deficit this year (compared to £1.5bn in 1987) is widely regarded as optimistic.

The broad measure of the money supply, M2, has been expanding by 20 per cent a year and, despite some fall last month, demand for bank credit remains at an uncomfortably high level.

to structural and behavioural shifts in the economy which have fogged the implications for future inflation.

But the overall domestic environment hardly suggested scope for lower borrowing costs. If the economy is not overheating, it certainly shows no sign of a significant cooling.

In those circumstances, the eventual decision last Thursday to cut base rates could only be justified in the context of the pound's rise since the beginning of the month. Arithmetical precision is impossible, but the Government believes that a 3 per cent appreciation of the pound against the D-Mark tightened policy sufficiently to be offset by a half point cut in interest rates.

Lower interest rates will raise the inflationary bid in areas like consumer spending and borrowing, but a higher pound will push it down more firmly on companies competing at home and abroad with foreign businesses.

Students suffer planning blight

From Mr Paddy Ashdown MP. Sir, The Government should be prepared, as your leader rightly argues, (March 15) to come clean on its plans for student support. It should also be prepared to guarantee a realistic timetable for proper consultations in which it should genuinely be happy to listen to public debate. There has been too much "going through the motions" of consultation, and policy proposals have suffered for it.

The longstanding uncertainty that surrounds this area of government thinking is now assuming the nature of a planning blight. Student support policy is a vital component in the post-16 equation, and further procrastination after nine years of debate should be unacceptable - not least because there will be many potential students weighing up the financial consequences of study. It is just not good enough for the system to be allowed to splutter on, while ministers simply set up further private review committees.

Their nervousness, though, is easy to understand. It is not for nothing that the countless internal Department of Education and Science (DES) reviews have failed to produce workable schemes for student loans. The cost implications for likely return are never encouraging - nor is the foreign experience, as officials must be pointing out to the politicians. The Conservative party has been committed to the idea in principle for many years, but has always turned it down on practical grounds. What is likely to have changed since it was last rejected?

Your leader also hints that there should be a more extensive look at the financing of higher education institutions (though you frame the argument solely in terms of universities). It is in this area that the Government is being most disappointingly cautious, confirming the impression it gave when it cut the element of institutional income derived from tuition fees in order to reduce the incentive to recruit students.

Both the Liberal party and the SDP have evolved policies designed to increase that incentive, and meet the urgent need for an expansion of higher education opportunities (most recently in my and Alan Leaman's publication, Choice without Privilege). We believe that a much greater proportion of income should be channelled through students' individual entitlements, including part-time study, thus enabling the system to become more responsive to need and demand.

Students loans are not necessary for such a reform. Nor is there any evidence from schemes so far put forward that they produce a system which is either just or desirable. Paddy Ashdown, House of Commons, SW1

Letters to the Editor

No substitute for reasoned evaluation

From Dr Edmund Goldberg. Sir, It is a pity that Mr Samuel Brittan's emotional outburst against the Prime Minister (March 18) detracts from whatever merits his own exposition of policies may have.

One would have hoped that his considerable intellectual faculties would have prevented him from displaying an unattractive arrogance by insinuating inferiority in others in contrast to his own highlighted superiority of judgment.

At the heart of the controversy is whether to join the European Monetary System (EMS) or not. Exchange and interest rate policies follow from this. Mr Brittan, rightly or wrongly, converted a short while ago in favour of joining. As is usual with converts, they embrace their new faith with fervour and passion. But this vehemence and intolerance of other views leads him to diminish what he calls "her kitchen cabinet advisers" in order to undermine the position of the Prime Minister.

Professor Griffiths, a distinguished academic thinker who has also probed the philosophy and moral dimensions of economic activity and policy, is dismissed condescendingly as "Brian Griffiths of the Number 10 Job Centre" - a kind of class? Mr Brittan's description, "on the basis of fleeting visits from her former guru, Sir Alan Walters," shows the author of Britain's Economic Renaissance, and significant contributor to our economic revival, as an itinerant minstrel.

Moreover, those like myself, who have often agreed with Mr Brittan's presentations, are bewildered why a conceivable opinion difference between Mrs Thatcher and Mr Lawson is being used to display his all too evident dislike, or worse, of the Prime Minister.

It is unlikely that the Chancellor requires defence from an anti-Thatcherite Samuel Brittan whose ill-feelings towards her, spiced with touches of venom, are no substitute for reasoned evaluation of issues.

Lower interest rates will raise the inflationary bid in areas like consumer spending and borrowing, but a higher pound will push it down more firmly on companies competing at home and abroad with foreign businesses. Mr Lawson is asking now that industry take a rather vague pledge on faith. Policy, according to one insider, is not something that can be set down in precise terms but rather a framework which has to be adapted to changing circumstances. That may be true but it does not make it easy to understand.

The cure is surely to stop the abuse

From Mr Duncan Heenan. Sir, The imposition of VAT in 1984 led to widespread insolvency among suppliers of home improvement goods. Now we are to be his again by the removal of mortgage interest relief. The reason given was that of abuse: using loans for unauthorised purposes. The cure is surely to stop the abuse, not to cripple a whole industry serving the non-abusers.

Second tier accountancy firms - frankly expensive for small businesses. The larger brokers are already making overtures to small market because they have recognised that many will not survive in the new regime. Lord Kilom and John Grant of FIMCRA have been touring the country canvassing views from intermediaries, many of whom will probably be working for somebody else in two years time. Is this "being bedded down and accepted?"

Simply to blame the Act is not acceptable: Sir Kenneth should not shelter behind his role as "messenger" if he did not agree with the complexity of the terms of reference he should have said so and used his influence to change them. If, however, he feels the rules are fair and workable then similarly he should say so, and accept the consequences. John McIntyre, Accord Financial Services, Dakota Building, 1 James Street, St Pauls Square, Birmingham

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enging trade gap is a reflection of faster growth in Britain than elsewhere as well as of flagging competitiveness. Anecdotal evidence suggests that exporters' profits margins are relatively high.

The juxtaposition, however, of a high exchange rate and low borrowing costs can hardly be ideal. It will discourage shifts of resources into the export sector, and it will give an additional boost to already rapid growth in imports.

If official policy is still applying downward pressure on inflation, that pressure is being applied in just the wrong place.

This, of course, has been the rationale behind Mr Lawson's policy of promoting exchange rate stability. If he had the choice of swapping the present position for, say, an exchange rate of DM 2.25 and interest rates of 9 1/2 per cent, he would jump at the chance.

In the real world, he has to cope with the possibility that in the short term sterling will actually rise rather than fall, kicking away the remaining supports of his exchange rate policy.

So far his response has been to try to "talk stability". His comment that a further significant rise in sterling's value against the D-Mark is unlikely to be sustainable has become the oft-quoted official line.

But the terms of his truce with the Prime Minister and an understandable disinclination to set another firm ceiling for the pound which the markets might quickly break through have left him without any other response.

Large-scale intervention is out of favour. As policy is currently framed, the anti-inflation objective means that Mr Lawson can cut interest rates if the pound rises further but not to prevent it from doing so.

The lack of any detailed explanation as to the depth of the present commitment to exchange rate stability may help to preserve the Chancellor's tactical room for manoeuvre in the markets. But it will not underpin industry's confidence that it can make output and investment decisions on the assumption that they will not be overtaken by shifts in the pound's value.

Providing that assurance was the rationale last year for loud public statements of the commitment to stability, particularly against the D-Mark. The Bank of England added \$20bn to its foreign exchange reserves as evidence that words would be matched by actions.

Mr Lawson is asking now that industry take a rather vague pledge on faith. Policy, according to one insider, is not something that can be set down in precise terms but rather a framework which has to be adapted to changing circumstances. That may be true but it does not make it easy to understand.

Other country, the British Budget is concerned entirely with raising revenue and not at all with spending. Public expenditure decisions are announced the previous October or November in the Chancellor's Autumn Statement and amplified in the subsequent Public Expenditure White Paper. One result is that however many increases there have been in public expenditure, they have been long forgotten by Budget day.

For instance, in its last Autumn Statement, the Government announced an increase in the public expenditure planning total for 1988-89 of £9.5bn in cash terms. Even after allowing for expected inflation, the increase would be £10.5bn. Even larger increases have been granted, the Budget could still have been presented as "mean" in providing only for taxpayers and not at all for the public services.

Of course, not all the polarised reaction to the Budget was due to the fact that the Government's occupation with tax to the exclusion of spending in each and

Lombard

Time to end the archaic UK Budget procedures

By Samuel Brittan

Every British Budget is an aggravating factor, and it is worth expending a great deal of effort to end.

The peculiar separation of the two persists partly because of an excess of virtue on the part of Whitehall. The British financial year begins in April. But the main public expenditure decisions have to be taken several months before if there is to be any coherent planning of government activities.

On the other hand, tax decisions - especially on the rates as distinct from the tax structure - can be made very much nearer the beginning of the financial year. The Treasury is, thus, extremely reluctant to announce tax decisions, whether firm or tentative, on the basis of revenue estimates and economic forecasts which can change a lot between the autumn and the early spring.

The Armstrong Committee of which I was a member, suggested

However much public spending is increased, it is all forgotten by Budget day

that the Chancellor should present a Green Budget in the autumn. By this it meant that provisional tax proposals should be made at the same time as the public expenditure announcement.

But the Treasury was understandably never prepared to give so many hostages to fortune; and there is probably no future in a Green Budget, or revenue projections not tied to specific policy action. Reform must take a different line. There is a strong case instead for doing as other countries do and announcing public expenditure and actual tax decisions at the same time which, given the British financial year, would have to be around November.

The disadvantage of this suggestion is that tax decisions would be made on the basis of revenue projections which could be changed by several billion

pounds. But the objection is not that strong. The Chancellor can always amend his tax changes during the course of the Finance Bill, which even now does not become law until four months after the Budget.

There are even positive economic advantages in the Government making its main tax decisions in the autumn. If revenue projections are made some way ahead they will probably be - and certainly should be - based more on trend projections of economic growth and inflation rather than short-term forecasts of cyclical movements.

Such procedures would not solve all the problems of fiscal policy. Booms and recessions may last more than a year; and conscious decisions will still sometimes have to be made either to postpone balancing the Budget or to continue a series of surpluses. But the pressures would usually be in the right direction.

All the political, educational and presentational arguments point to taking and announcing both expenditure and revenue decisions at the same time. The main economic arguments against are those of either 1960s fine tuning or Gladstonian year-by-year budget balancing. Now that both of these are out of fashion, it is hard to see why the British Budget should be the odd one out in dealing with tax to the exclusion of spending.

If public expenditure and the tax changes can be announced at the same time, it will at last be possible to show how the fruits of growth are being shared between the private and public sectors. Otherwise tax and public expenditure will once again start to swallow an ever-increasing proportion of the national income.

'If Sir Kenneth Berrill did not agree he should have said so'

From Mr John F. McIntyre. Sir, Barry Riley writes (March 10): "In a year the system (of City regulation) would be largely bedded down and accepted" - presumably his paraphrase of Sir Kenneth Berrill's statement.

Of the 12,000 intermediaries registered with FIMCRA (the Financial Intermediaries, Managers and Brokers' Regulatory Association) - either authorised or in expectation of being authorised - most will be likely to be one, two or three-man businesses. A good number of them will probably not have delved into the Rules; Sir Kenneth is probably correct in suggesting that "investment practitioners had not focused on the problem until it hit them. They are in for a considerable shock."

The rules run to 174 pages of the closely typed A4-size paper. Within two years - in my view and in the view of the other brokers who have studied the requirements - there will be fewer than 5,000 intermediaries.

As an accountant, I welcome regulation; I am convinced that there is a need for authorisation. But the requirement of how business is to be conducted, how records are to be maintained, and solvency margins reported, is dramatically more onerous than that expected of accountants or solicitors. It is "overkill" - too far, far too fast.

Surely the initial efforts should have been directed towards ensuring that intermediaries have the requisite knowledge and experience of the products they sell and the advice they give. Client money could be protected by requiring quarterly certificates from the auditors.

Many of the real abuses in the industry could be easily eradicated by the Life Offices. (Most intermediaries and Life Office broker consultants know the abuses, and those who commit them.)

The costs of compliance, direct and indirect, for even the smallest intermediary, will be considerable - the time consumed immense. Quite small businesses

will have to provide quarterly and sometimes monthly returns which will require in most instances weighty and costly input from auditors. Systems will have to be introduced which show that "best advice" is not only being given, but is seen to be being given. (We are discussing here mainly small businessmen with cash flow problems, VAT problems, PAYE and employee problems. In the course of one week a businessman may have to supply his PAYE code, his VAT number, his Corporation Tax District code, his NEI number, his Consumer Credit Licence Number, details of his Data Protection Registration, and so it goes on.)

The Institute of Chartered Accountants is giving its members advice on the new obligations required from the auditors of intermediaries, and I cannot see that even the smallest business will escape with bills of less than £5,000 per annum. Also, audit/compliance work will inevitably gravitate to the first and

second tier accountancy firms - frankly expensive for small businesses.

The larger brokers are already making overtures to small market because they have recognised that many will not survive in the new regime. Lord Kilom and John Grant of FIMCRA have been touring the country canvassing views from intermediaries, many of whom will probably be working for somebody else in two years time. Is this "being bedded down and accepted?"

Simply to blame the Act is not acceptable: Sir Kenneth should not shelter behind his role as "messenger" if he did not agree with the complexity of the terms of reference he should have said so and used his influence to change them. If, however, he feels the rules are fair and workable then similarly he should say so, and accept the consequences. John McIntyre, Accord Financial Services, Dakota Building, 1 James Street, St Pauls Square, Birmingham

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Janet Bush on Wall Street Keeping track of indexes

THREE QUARTERS of all US fund managers, whatever their access to large and expensive research departments and whatever their flair for stock selection, fall consistently to beat the returns offered by the major stock indexes.

This is a rather salutary fact for those in the brokerage market who believe it is possible to play the market more cleverly than the market itself, and lies behind the enormous appeal of indexed portfolios.

Figures provided by the bi-weekly Fidelity and Investment Age show that, as of November 30 1987, \$161.4bn was managed in indexed portfolios by 29 major managers. Of this total, \$107.4bn was tied up in equity-indexed portfolios, \$43.7bn in fixed-income portfolios and \$9.9bn in international portfolios.

This type of fund management shuns the idea of individual stock selection. Instead, a portfolio is built to replicate a chosen stock index - such as the Standard & Poor's 500 - and then track it as closely as possible, capturing the usually superior returns of a broad group of stocks.

The whole question of trading baskets of shares has gained prominence since the October market collapse. A number of major reviews of the industry, including the huge report from the Securities and Exchange Commission, suggested thought should be given to developing the concept.

On one, the Philadelphia Stock Exchange last week announced it had filed with the SEC for permission to trade an entirely new product called the CIP - a Cash Index Participation contract.

This, if it proves workable, would offer the individual investor, even one with only a small amount of money to commit to the stock market, the alternative of investing in, for example, a basket of stocks directly instead of through a mutual fund.

The CIP would trade exactly like an individual stock. It is a contract, but has no expiry date and attracts a quarterly dividend. According to the Philadelphia Stock Exchange, which has been working on this idea for two years, an investor could buy a single CIP for as little as \$30.

The CIP would provide the diversity and stability of a broad-based or indexed stock fund. It would also have the advantage that, while a broad investment in a mutual fund entails not only commissions but also management fees, CIPs would involve only commission.

Mr Frederick Plantz, quantitative analyst at Banc One Asset Management in Columbus, Ohio, finds the idea of the CIP exciting. "Indexing is here to stay and it is now spreading to the personal market... If these things work, they could really give mutual funds a run for their money."

In a separate development last week, Standard & Poor's announced a major change in the way it constructs its index. At present, the index is made up of four rigid industry sector categories - industrials (400 stocks), financials (40), utilities (40) and transportation issues (20). As things now stand, if a utility, for example, was dropped from the index, it would be replaced by another utility. After April 6, Standard & Poor will give discretion about the kind of stocks dropped in and out of the index, allowing it to respond more flexibly to changes.

The S & P 500 index is not only widely used by fund managers, who replicate its constituent stocks in portfolios. It has also gained prominence because of the influence of arbitrageurs who take advantage of price discrepancies between the key S & P 500 futures contract and the constituent underlying stocks in the cash market.

Indexed fund managers are now waiting to see if the number of changes to the index increases, reflecting the new flexibility.

Mr Plantz commented that any increase in the number of changes would make the indexed fund managers job more difficult, although he did not see any impact on stock index arbitrageurs.

Mr Edgar Peters, senior portfolio manager at the Boston Co, said index funds which fully replicated the S & P 500 would probably not be significantly affected by the change. However, indexed portfolios which do not incorporate all 500 stocks, but which employ sector weightings, could find it more difficult to keep those weightings balanced if the make-up of the S & P 500 changed rapidly.

Unless Standard & Poor ushers in changes sensitively, indexed portfolio managers may have to display some of the ingenuity of those brokers who percolate with the fine art of stock selection.

IADB loans drop sharply after funding dispute

BY ALEXANDER NICOLL IN CARACAS

LOANS advanced by the Inter-American Development Bank, Latin America's multilateral financing body, fell sharply last year, as a result of a long and damaging dispute over its future funding.

Started of lending power by the two-year wrangle between the US and Latin countries over voting control, the IADB approved only \$2.38bn of new loans in 1987 according to its annual report published today.

This was well below the \$3.04bn of 1986 and the record \$3.57bn of 1984.

Officials, meeting in Caracas over the weekend before the annual meeting which begins formally today, agreed to defer discussion of capital replenishment for several months.

They felt nothing could be achieved until Mr Enrique Iglesias, recently elected as the bank's new president, had spelled out his ideas about its future direction.

Mr Iglesias, Uruguay's former foreign minister and a renowned diplomat, is due to address the meeting today. He is expected to bring a new sense of

urgency and efficiency to the bank.

He is expected to bypass the bitter debate on voting, in which the US and Latin countries hold deeply entrenched positions.

The US has made its support of a capital increase conditional on being able to veto any new loan with the support of one other country. Latin nations, which currently have 54 per cent of the votes, have been prepared to accept a 40 per cent veto - the US plus two other executive directors on the bank's board.

Mr Iglesias is likely to seek a broad consensus on the aims of the bank before pushing a final resolution of the funding question. He will find plenty of support for his general aim from both Latin and industrialised countries.

"This institution has drifted onto the rocks," said an official from one industrialised country. He voiced doubts about the effectiveness of the bank's loans and criticised its slow, bureaucratic procedures.

Mr Angel Gurria, Mexico's director of public credit, said it was "something worse than para-

doxical" that the bank should have negative net transfers to Latin America.

According to the annual report, new loan disbursements were only \$1.92bn, the lowest since 1963. This meant that net transfers were negative during a year in which Latin America's economic growth rate sagged to an estimated 2 per cent from an average of 3.5 per cent in the three previous years.

None of the four largest countries - Argentina, Brazil, Mexico, and Venezuela - achieved a rise in per cent growth.

Despite a rise in the net inflow of capital estimated at \$14.4bn by the United Nations Economic Commission for the region - higher interest rates in 1987 meant that overall net transfers of financial resources from Latin America remained negative, although lower than in 1986.

The drop in the IADB's new loans was accompanied by a sharp fall in the bank's own borrowings on international capital markets from \$1.91bn in 1986 to \$1.16bn. It is now very close to its permitted borrowing and lending ceilings.



Israelis warn Saudis on missiles

By Andrew Whitley in Jerusalem

SAUDI ARABIA'S purchase of Chinese-made surface-to-surface missiles with a range of more than 2,000 miles has prompted demands from Mr Yitzhak Shamir, Israel's Prime Minister, for their immediate removal, coupled with warnings that their launch sites could be bombed.

Mr Shamir, now in New York at the end of a week-long official visit to the US, raised the issue with the Reagan Administration during talks in Washington last week, Israeli officials say.

The officials also indicated that Israel's concern has been heightened by the "war of the cities" missile barrage being waged by Iran and Iraq.

In a blunt warning of the security with which the Prime Minister views the issue, a senior aide said on Israel Radio yesterday: "Israel has acquired a reputation of not waiting until a potential danger becomes actual."

In 1987, Israeli warplanes made a surprise long-range strike against an unfinished Iraqi nuclear reactor, destroying the facility.

The missile issue and the remarks of Mr Yossif Ben-Aharon, Director-General of the Foreign Ministry, were discussed at yesterday's meeting of the Israeli Cabinet. Mr Moshe Shaleh, the Energy Minister, criticised the Prime Minister's aide over his public warnings.

On Friday, the US State Department confirmed newspaper reports of Saudi Arabia's acquisition of the missiles, designated the CSS2 and believed to be capable of carrying nuclear warheads. But Mr Charles H. Gault, the spokesman, said the US had been reassured by both China and Saudi Arabia that they had no plans to aim the missiles with nuclear tips.

In another graphic indication of the security policies being pursued by the two rival branches of the coalition Israeli Government, the Labour-led Foreign Ministry is taking a much more sanguine view of the brewing "Saudi missile" crisis than its more hawkish Likud partner.

"We're not jumping into a war with China," said one senior official, acknowledging that Israel's interest in the re-establishment of diplomatic relations with Peking in the context of the Middle East peace process, was complicated by the issue.

The official said Israel was seeking more information on the subject, but viewed reports of the missiles' nuclear capabilities as exaggerated.

This low-key response from the Foreign Ministry can be contrasted with the all-out lobbying usually launched by Israel and its Jewish American allies over any potential acquisition of a nuclear capability by a significant new weapons system. According to yesterday's Jerusalem Post, Mr Shamir was told by the US officials that the Chinese missiles had already been deployed. He was said to have asked Washington to intervene with China and Saudi Arabia.

Amman Islamic conference and US-PLO relations, Page 3

THE LEX COLUMN

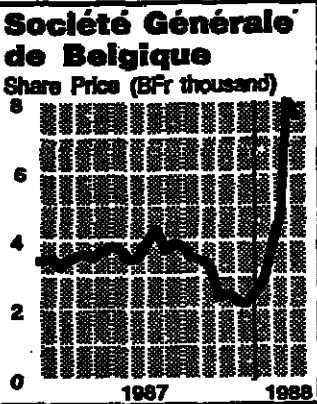
Trying to shrug off the past

Global investors who took fright after last October's stock market crash and decided to move into 1988 with a heavier emphasis on cash and bonds, are beginning to look as if they have backed out of their hibernation. Most of the world's equity markets have staged fairly impressive recoveries in the opening months of the new year and, unless there is a sharp setback over the next two weeks, these brave investment managers who struck with equities in 1987, better investment returns in the first quarter than their more nervous colleagues who opted for cash or fixed income securities.

The one-fifth rise in the Tokyo stock market - which is now back to within 2% of its all-time high - is far and away the most important performance, but London and New York have both risen by around 8 per cent so far this year. The stock markets of Belgium, Holland, Sweden and Spain are showing gains of between a fifth and a third, and the larger Continental bourses are also showing healthy rises. Leaving out Japan, the FT-A World Index has risen by 8 per cent in dollar terms so far this year, compared with a 2.4 per cent rise in all of 1987. Indeed some fund managers feel, rightly or wrongly, that last October may have marked a low point for the world's equity markets.

There are a number of reasons for the sharp bounce in equity markets. The three major Continental bourses fell far more heavily than London or New York last year, and were in relative terms plainly undervalued at the start of 1988. In addition, worldwide economic growth continues to be far more robust than expected, prospects of an early recession seem to be receding and profit forecasts are once again being raised.

But while there has clearly been a revival in worldwide investor confidence, it remains thin. The problems which precipitated last October's stock market crash - most notably the massive US budget and trade deficits - have not gone away. The immediate economic impact of the crash appears to be far less than once feared, but while concerns about the dollar and economic growth still lurk in the background, the equity markets' new-found confidence may prove brittle.



bring order to the untidy group, while it also lacks the depth of management to make the assets work harder. Benedetti is probably equal to both tasks, and if he can somehow emerge from next month's EGM with management control, the deal might just turn out to be not such a bad one. Given the extent of the underperformance at La Générale's 1,200 companies, it might be possible to put half as much again on the value of the group's assets within a couple of years. In that case, the 50 per cent premium would begin to look more sensible, and the strategic advantage - which is all that all the fuss is about - would be thrown in for almost nothing.

edly worth something. Yet whether it is worth the 50 per cent premium to asset value that rival bidders have paid for their despoiled stakes in Société Générale de Belgique is looking increasingly doubtful. If next month's showdown, several fund managers, led by Falmewebber, First Boston and Foreign & Colonial, are about to have another go at trying to persuade European investors to dabble in what must be the world's most hair-raising stock market.

As an investment concept, Brazil has a definite appeal. It is the eighth biggest economy in the world, has a population far larger than Japan, and a growth potential and resource base which dwarfs that of countries such as Spain, Korea and Taiwan - the current darlings of the smart global investor. Brazil today is often likened to the US a century ago. Unfortunately, it has more than its fair share of problems, ranging from roaring inflation to an unstable political situation and a highly inefficient economy. Finance ministers and central bank governors come and go with the frequency of a stock market's recent performance - its market capitalisation fell from \$60bn to \$13bn in the 18 months to end 1987 - would make any casino look positively dull.

To be fair, the above managers do not attempt to hide Brazil's obvious defects. However, they argue that after its recent collapse the Brazilian market is selling on a modest four times 1987 earnings and about 25 per cent of book value. And even if this does not sound immediately attractive, it might be worth putting a small amount of money into Brazil on the grounds that one day a miracle might happen and the country's stock market begins to behave like Tokyo.

Brazilian funds

Hope springs eternal in the fund management game. Over the years several attempts have been made to lure foreign investors into the Brazilian stock market and although almost all have ended disastrously, several fund managers, led by Falmewebber, First Boston and Foreign & Colonial, are about to have another go at trying to persuade European investors to dabble in what must be the world's most hair-raising stock market.

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La Générale

A rigid position for the opening of the European market in four years' time is undoubt-

Ceasefire talks will go ahead despite Sandinista offensive

BY ROBERT GRAHAM IN LONDON

DIRECT talks between the Nicaraguan Government and representatives of the US-backed Contras have resumed in Panama ahead today as planned despite the sharp escalation in regional tension caused by a major Sandinista offensive.

Over the weekend, Honduras continued to insist that Nicaraguan troops were inside Honduran territory. Jose Azcona ordered a second bombing raid against Sandinista positions.

Also, elements of the 3,200 US combat troops airlifted to Honduras last week were moved closer to the border area but US military officials said they would not be engaged in battle.

The ceasefire talks are part of the Central American peace plan agreed last August in Guatemala by the five regional heads of government.

The Nicaraguan Government and the Contras have been going through elaborate manoeuvres to avoid real concessions. But both sides are under strong pressure to negotiate seriously and these talks could be decisive in determining the progress of the Central American peace plan and of a ceasefire inside Nicaragua.

Last month the Contras were denied further aid by Congress and they are now assessing the chances of renewed support in



US soldiers head for Panama after parachuting into Honduras.

the light of the Sandinista offensive.

Congress' rejection of fresh aid requests for the Contras is believed to have been an important factor behind their current dry-season offensive. The CIA can no longer resupply the Contras inside Nicaragua and therefore, with the latter's supply base weakened, the Sandinistas can enter negotiations more confidently.

By the weekend it appeared that most of the Sandinista troops that had crossed into Honduras to attack Contra bases had withdrawn.

The Honduran bombing raids appeared to be more symbolic than targeted. In the two raids a total of five bombs were dropped in the border area.

The Sandinistas protested over the violation of Nicaraguan airspace and it appears little damage was caused.

The bombing occurred near the main fighting in the remote north-east of the country near the confluence of the River Bocay with the River Coco.

Report sought on 'savage' killing of British soldiers

Continued from Page 1

but several taxis that had been following the cortege blocked its escape. The crowd then attacked the car with bars and wrenches, dragging the two soldiers, both of whom had pulled out guns, from the vehicle. Out of sight of TV cameramen who had filmed most of the sequence of events, the soldiers were taken away, stripped and shot.

Mr Gerry Adams, the leader of Sinn Féin, the IRA's political wing, said Saturday's events had all the hallmarks of an undercover operation of the elite Special Air Service (SAS). "It was absolutely irresponsible of their political masters to send those unfortunate men into that situation," said Mr Adams.

"I regret their deaths just as I regret each and every death in this conflict."

In the past seven days nine people have died in various attacks in Northern Ireland. Five of those had nothing to do with the conflict but were caught up in the maelstrom of renewed violence which threatens to engulf the province.

Fr Tom Toner's parish priest at St Agnes's church in West Belfast. Earlier this week he officiated at the funerals of two of the three IRA members shot dead by the British Army in Gibraltar. On Saturday he tried to comfort the two dying soldiers.

"People here are numb. People here are in shock. I saw them in what had been done," said Fr Toner.

The RIC recently decided to stay away from Republican funerals after criticism of what were described as past heavy handed tactics. It will now clearly have to reassess that decision, although Sinn Féin still insists that police stay away.

Unionist politicians have questioned why it took police so long to reach the scene of Saturday's events. The leader of the Official Unionists, Mr James Molyneux, has said 500 members of the security forces were on duty around West Belfast and a helicopter that hovered overhead could see all that happened, yet up to 15 minutes elapsed before police arrived at the scene of the soldiers' murders.

Mr Ian Paisley, the leader of the Democratic Unionist Party, has said both Mr King and the head of the RIC, Sir John Hermon, must resign.

US-Soviet talks face problems

By Our Foreign Staff

PRE-SUMMIT talks which opened tomorrow in Washington between Mr Edward Shevardnadze, the Soviet Foreign Minister, and Mr George Shultz, US Secretary of State, will be held against the background of "serious problems" in drafting a treaty to cut 50 per cent of US and Soviet strategic nuclear weapons.

Mr Alexander Bessmertnykh, a deputy Foreign Minister, said at the weekend Moscow was especially disappointed over the collapse of the Geneva strategic arms talks.

He charged that on a number of major elements regarding adherence to the Anti-Ballistic Missile Treaty signed in 1972, the US was trying to return to a position it held before the Washington summit last December.

However, Mr Shultz said yesterday that a strategic arms treaty with the Soviet Union before a superpower summit expected in May was still possible.

"I think it's possible, but I think it's very hard work," he said in a television interview hours before Mr Shevardnadze was due in Washington for a second round of monthly pre-summit meetings.

President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, said at their last summit in Washington in December they wanted to sign a treaty halving strategic arsenals.

After Mr Shultz and Mr Shevardnadze met in Moscow last month, both sides were cautiously optimistic about the prospects of an accord. But Mr Reagan told the Washington Post recently there was not enough time to finish the pact.

Subsequently it was explained that the President meant the success of a summit did not depend on a strategic treaty-signing.

World Weather

Area	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Amman	18	10	10	18	10	10	18	10	10
Amsterdam	10	10	10	10	10	10	10	10	10
Antwerp	10	10	10	10	10	10	10	10	10
Athens	18	10	10	18	10	10	18	10	10
Bahia	28	10	10	28	10	10	28	10	10
Bangkok	30	10	10	30	10	10	30	10	10
Barcelona	18	10	10	18	10	10	18	10	10
Bombay	30	10	10	30	10	10	30	10	10
Buenos Aires	18	10	10	18	10	10	18	10	10
Calcutta	30	10	10	30	10	10	30	10	10
Cardiff	10	10	10	10	10	10	10	10	10
Caracas	28	10	10	28	10	10	28	10	10
Chennai	30	10	10	30	10	10	30	10	10
Colombo	30	10	10	30	10	10	30	10	10
Copenhagen	10	10	10	10	10	10	10	10	10
Dublin	10	10	10	10	10	10	10	10	10
Edinburgh	10	10	10	10	10	10	10	10	10
Hankow	18	10	10	18	10	10	18	10	10
Hong Kong	28	10	10	28	10	10	28	10	10
London	10	10	10	10	10	10	10	10	10
Los Angeles	18	10	10	18	10	10	18	10	10
Madras	30	10	10	30	10	10	30	10	10
Manila	30	10	10	30	10	10	30	10	10
Mumbai	30	10	10	30	10	10	30	10	10
Nairobi	18	10	10	18	10	10	18	10	10
Paris	10	10	10	10	10	10	10	10	10
Rangoon	30	10	10	30	10	10	30	10	10
San Francisco	18	10	10	18	10	10	18	10	10
Singapore	30	10	10	30	10	10	30	10	10
Sourabaya	30	10	10	30	10	10	30	10	10
Taipei	28	10	10	28	10	10	28	10	10
Tokyo	18	10	10	18	10	10	18	10	10
Yokohama	18	10	10	18	10	10	18	10	10

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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES Monday March 21 1988



INTERNATIONAL BONDS

Eurodollar FRNs remain aloof from US banking troubles

BY CLARE PEARSON IN LONDON

BAD NEWS about US banks does not bother Eurodollar floating rate note dealers the way it used to. They have been able to stop worrying because many of them have simply given up trading that substantial portion of the \$150bn FRN market which is most vulnerable to plunges in banks' credit ratings - the sector for fixed-term subordinated and perpetual bonds.

lowed an initiative taken by J.P. Morgan Securities about 10 days before and announced they would give up market making in all subordinated paper. This withdrawal by nearly half the market makers in the sector was seen as merely a public confirmation of a development that had been in train for some time. Nevertheless, it underlines just how profoundly and quickly the market has changed.

It is hard to imagine now how the new issues market for subordinated bonds could be reopened, although the State Bank of New South Wales has in fact been able to raise \$250m worth of capital with a new issue in recent months. But this was a special case, since, in the eyes of investors, it ranked as senior debt, but a special arrangement with the Australian authorities enabled the bank to count it as capital.

Table with columns: EURONETWORK TURNOVER Gm, Primary Market, Secondary Market, Cash, FRN, Other, and Total. Includes data for US, UK, and other regions.

As well as the private placements, a steady stream of FRNs created by swapping and packaging up the "rump" bonds that accompany issues of Japanese equity warrants bonds has also used up some of the demand for higher-yielding floating rate

offered rate. But comparable issues in the secondary FRN market were trading about a month ago at only about 35 basis points over Libor.

merchant banks say they are enjoying brisk business. Yield margins on most building society FRNs have been narrowing recently. They are regularly quoted to customers on a three-to-five basis point spread in sizes of \$5m, and sizes of firm between professionals.

Olivetti to challenge Amstrad's UK niche

By David Thomas in London

A FIERCE BATTLE for control of Britain's booming low-cost personal computer market is looming following Olivetti's decision to enter the fray in competition with Amstrad, the British group which revolutionised the UK market with its low-cost machines.

Thorn-EMI leads UK borrowers back with £400m financing

BY STEPHEN FIDLER IN LONDON

BRITISH COMPANIES, led by Thorn-EMI with a £400m standby financing, were back in force last week in the international loan market.

points if more than half drawn. After the announcement of the £100m financing being arranged by S.G. Warburg for Renters, another borrower with scarcity value has decided to call on the market - Wellcome, the pharmaceutical group.

of drawings and 15 basis points on the remainder. Terms were disclosed on several previously mandated deals, including the £200m standby being arranged by Warburg for Mortgage Asset Eurosecurities, a vehicle company set up to issue Eurocommercial paper to finance UK house mortgages originated by Canadian Imperial Bank of Commerce. It carries a margin of 50 basis points over Libor, and an underwriting fee of 18 1/2 basis points.

South Wales, carries a 7 1/2 basis point margin on the £100m committed portion if drawn, with a 5 basis point utilisation fee if more than half used. The five-year facility carries a 9 basis point fee for the available portion and 6 basis points on the unavailable, a maximum of 50 per cent.

than half drawn of 5 basis points. There is also a swing-line, which would pay the higher of base rate plus 1 per cent, or Libor plus 15 basis points.

basis points if more than 30 per cent drawn and 7 1/2 basis points if more than 67 per cent drawn.

National Bank of Hungary, on which it is the sole dealer. Of deals sewn up, Credit Suisse First Boston completed a £100m five-year facility - £125m of which was committed - for London International Group, the UK's leading condom manufacturer.

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INTERNATIONAL CAPITAL MARKETS

UK: GILTS

More questions than answers from Budget

IF A GILT-EDGED securities investor had not spent the past week in Britain but was, say, safely ensconced on another island in slightly warmer climes, he would be hard-pressed to divine what had happened over the last week from a snapshot of the gilt market.

A continuation of the "supply-side miracle" with a substantial 11 1/2 per cent increase in manufacturing investment envisaged for this year. If this is achieved then a lot of the market's current worries about overheating could prove baseless, but it is well to remember that the Treasury factored in a 6 per cent increase in manufacturing investment to its forecasts for 1987 and achieved a 3 1/2 per cent out-turn.

The reaction of UK financial markets to the Budget has been mixed, to the least Domestic Institutional investors did not judge it as an unambiguous buy signal and last week's mark-up in equity prices appears to have been market-maker led.

In the gilt market, although the Bank of England's 280m tender stock was taken up by the end of the week, the market for longer-dated gilts reacted similarly to the way it did with the December cut in interest rates. Prices for longer dated gilts fell, they did not rise, as theory suggests they should have, on news of Thursday's base rate fall.

The market had placed great store on the Budget. It was hoped it would clear up the worries it had about domestic economic conditions overheating while, at the same time, clearing up the confusion generated in the week before the Budget over the Government's exchange rate/monetary policy.

The size of both the public sector debt repayment (£30m) and the tax cuts (£40m) took the market by surprise. Both, in equal measure underline the superb technical backdrop to 1988/89 (that is few gilts to be sold) and the uncertain economic outlook.

Many independent economists find Treasury forecasts for the economy broadly credible. It seems clear, however, from the way the market moved in the days after the Budget that, given the size of the tax cuts, it doubts the Treasury's inflation forecast (a 1/2 per cent point lower at 4 per cent from the autumn statement) and its upwards revised current account deficit forecast (up by £30m to £40m from the autumn statement).

The Treasury has also forecast

With the Budget posing more questions than it appeared to have answered the market was not left much better off with what the Chancellor had to say about monetary policy. Actions may speak louder than words, but it was words not actions the market wanted.

Being left with actions how does one interpret them? After the authorities allowed sterling to rise above DM3 officials suggested that the days of a single round-figure target for sterling were over, although exchange rate stability was still the policy. If that is so, suggestions by some commentators that DM3.10 is the pound's new ceiling should be treated with caution.

Against this has to be measured the Chancellor's unambiguous commitment to an anti-inflationary stance and exchange rate stability. It may also be that base rates at 8 1/2 per cent with sterling around DM3.10 represents a net monetary tightening compared with base rates at 9 per cent and sterling slightly below DM3.

It is also suggested that it was the magnitude of sterling's rise against the D-Mark during the East trading on Thursday - a more than 2 p.p.m. rise - that prompted the authorities to cut base rates rather than sterling rising through DM3.10.

If exchange rate policy is still symmetrical then that implies interest rates will fall and rise to maintain a desired level for the pound. There are limits to such a mechanistic policy and it is noteworthy that the Chancellor has not completely forewarned the use of intervention. He said late last week it will still be used in "special circumstances".

Two weeks into the new era the operation of policy now more than ever resembles a concertina. And the tune remains the same - exchange rate stability.

Simon Holberton

US MONEY AND CREDIT

Treasury bonds fail to find sustenance

IT WAS a depressing week for US Treasury bonds. Traders and investors spent most of it being cautious ahead of the trade figures. These were better than expected and the market spluttered into some form of life with a 1/2 point rally.

Bond prices have been drifting disconcertingly for some time and fears that the October crash would prove to be nothing but a minor dampener on the US economy have been around for some weeks. There has been precious little evidence recently of the recession which bond traders had been hoping for.

The last fortnight has rooted out the group of people who were still hoping for a significant downturn in the economy which would justify a cut in interest rates. What appeared to happen last week was that a new group formed which had started to worry about higher interest rates.

Yet, only four months or so since Black Monday, the overhanging argument is gaining ground. And, only one day after some reasonably encouraging (though not dramatically so) trade figures, the market was given a focus for those concerns in the form of the US Federal Reserve's "tan book".

This summary of reports from

the 12 Federal Reserve regional banks is used as key reference material at meetings of the Federal Open Market Committee (FOMC). Much of its detail was disseminated around the bond market last Friday, and was mainly responsible for pushing longer maturities down by as much as 1 1/2 points. The Treasury's benchmark 8.575 per cent long bond closed with a yield of 8.68 per cent, its highest level since the end of January.

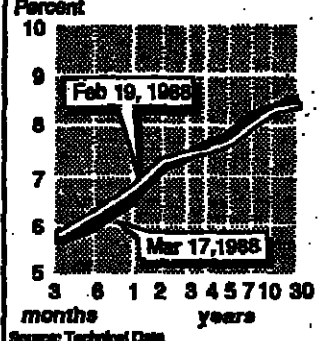
The report made worrying reading for the bond market, over-sensitive to any signs of a potential resurgence of inflation. The message was clear. The US economy continued to expand at a moderate pace, sustained by strength in manufacturing. That robustness in manufacturing, in the eyes of Federal regional officials, was leading to price increases and increasing capacity constraints in some sectors.

Employment, as February's figures showed, continues to expand - except, the Fed said in the auto industry around Chicago and St Louis and in New York's financial sector.

When the FOMC meets on March 29, this is not the kind of thing which will persuade it that interest rates need to be cut. The question now is: will the Fed tighten?

The answer must be that

US Treasury yields



Source: Technical Data

thoughts of higher interest rates are in the air. Given the proximity to the crash, the Fed will be ultra-cautious about any tightening policy. While urging vigilance about any renewed upsurge in inflation, Mr Alan Greenspan, Fed Chairman, still spoke of the need to support economic growth in his testimony last week. A fine balance is still being struck.

Another argument against tightening policy in the very short term is the emergence of deep trouble in the Texas banking community which elicited a \$1 billion loan for First Republic Bank of Dallas last week. The Fed spent much of last week flooding the banking system with

liquidity to ensure the needs of one or two distressed Texas institutions were met. The support package for First Republic was sweeping in its scope.

Nevertheless, the signs have not been good for the bond market. Oil prices have been rising steadily. Last week saw a jump in the price of gold (who knows how related to the Administration's sudden decision to send troops into Honduras and how related to the recent vulnerability of the dollar?). And the Commodity Research Bureau's index of futures prices - whatever its accuracy as an indicator - continued to climb.

In the midst of all this, there was naturally a measure of nervousness about the reactions of two- and four-year notes on Wednesday and Thursday and, further down the line, the May Treasury refunding.

This week sees the publication of several key economic statistics which should further develop the view of the bond market on the economy. With them are consensus forecasts compiled by Money Market Services of Redwood, California.

Durable goods orders (Tuesday) are expected to have risen by 0.6 per cent in February.

Around this consensus, there is a wide range of forecasts from a fall of 0.5 per cent in orders to a rise of 3.8 per cent.

Gross National Product (Wednesday). GNP is expected to have grown by around 4.5 per cent in the final quarter of last year. Estimates range from growth of 4.3 per cent to 5 per cent.

Consumer Prices Index (Wednesday). The consensus forecast for the CPI in February is for growth of 0.2 per cent with the range of forecasts coming in at zero growth to a rise of 0.3 per cent. Given the emergence of fears of higher inflation, these figures are likely to be closely watched by the bond market.

Corporate profits (Wednesday) for the final quarter of 1987. These are expected to have grown at an annualised rate of 14.4 per cent, according to Money Market Services.

Personal income and consumption (Thursday) and February income is expected to have risen by 0.6 per cent with the range of forecasts from a rise of 0.1 per cent to a gain of 1.3 per cent. The consensus forecast for consumption is for a rise of 0.6 per cent, with estimates ranging from a rise of 0.1 per cent to an increase of 0.9 per cent.

Janet Bush

Elsevier ahead on acquisition

By Laura Raso in Amsterdam

ELSEVIER, the second-largest Dutch publisher, boosted earnings by 33 per cent last year as a result of the acquisition of a big stake in its arch rival, Wolters Kluwer, and because of greater efficiencies. A 44 per cent higher dividend of Fl 1.15 per share was declared for 1987.

Elsevier said it expected profits, both in absolute and in per-share terms, to grow again this year. Net income rose to Fl 128m (197m) last year, from Fl 123m in 1986, fuelled by a Fl 26m contribution from its 32.5 per cent stake in Wolters Kluwer.

The large minority holding resulted from Elsevier's hostile takeover attempt of Kluwer, which ended up in the hands of Wolters Kluwer.

Per-share earnings advanced by 22 per cent, from Fl 2.51 to Fl 3.05, due to 9 per cent more shares. The bid for Kluwer was financed with new shares.

Greater efficiencies offset lower revenues, with operating costs down by 10 per cent. Operating profits climbed by 16 per cent, to Fl 238m, from Fl 202m. Turnover fell 6 per cent, to Fl 1.67bn from Fl 1.75bn, in part due to the strong guilder.

Table with 5 columns: Instrument, Last 1 week, 4 wks, 12-month, 24-month. Rows include Fed Funds, Treasury bills, Treasury notes, Treasury bonds, and Commercial Paper.

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Table with 5 columns: Instrument, Last 1 week, 4 wks, 12-month, 24-month. Rows include Japanese government bonds, Japanese corporate bonds, and Japanese municipal bonds.

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bond yields and prices for various countries including Australia, Canada, France, Germany, Italy, Japan, UK, and others.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Bindura Nickel boosted by prices rise

By Tony Hawkes in Harare

BINDURA NICKEL of Zimbabwe has announced a turnaround in its fortunes, largely attributable to the steep rise in nickel prices over the past nine months.

Bindura, owned by South Africa's Anglo American group, made an operating profit of \$26.5m (US\$3.1m) last year, compared with an operating loss of \$26.7m in 1986. This is despite an interest 1987 deficit of \$11.5m, at which stage the group announced plans to phase down operations at its four mines. This was swiftly followed, however, by a sharp upturn in nickel prices.

Earnings were boosted also by a turnaround in stocks and a 15 per cent increase in sales volumes to 11,408 tonnes. However, interest charges left the company still with an overall loss of \$24.9m, although this was sharply reduced from the previous \$21.6m deficit.

In mid-1987, Bindura was engaged in serious talks with the Zimbabwe Government over a rescue package designed to keep the mine open. Last July, BNC announced that it was suspending all ore development and drilling, but the company was rescued by the nickel price recovery before agreement could be reached with the Government on a financial support package.

Drilling and ore development has been resumed at all four mines. Bindura says it expects to return to profitability and reduce its borrowings during 1988, provided nickel prices hold up.

Last year, it reduced its debt to \$288.7m from more than \$310m, largely through the conversion of \$240m of loans into 10 per cent preference shares.

Kirin growth down to trickle

GROWTH AT Kirin Brewery, which makes more than half of all beer drunk in Japan, has slowed to a trickle, as competition intensifies, writes Our Financial Staff.

Pre-tax profits for the year to January edged up 1.9 per cent to ¥80.8bn (€282m) from ¥79.5bn after recent annual increases nearer 10 per cent. Sales were up 3.7 per cent to ¥1,368bn.

Setback at Bayerische Vereinsbank

BY HANS SIMONIAN IN FRANKFURT

PARTIAL OPERATING profits at Bayerische Vereinsbank, the biggest bank in Bavaria, fell by 10.5 per cent at parent bank level, to DM601m (€258m) last year. Total operating profits, which were not disclosed but included gains from own-account trading, fell by about 20 per cent.

However, after-tax earnings at the bank were little changed, at DM189m, against DM183m in 1986, and it is paying a renewed DM18 dividend on ordinary shares. After-tax earnings for the group fell by just over DM40m, to DM235m.

Bayerische Vereinsbank's results, which open this year's reporting season for big German banks, confirm the downward trend likely to be repeated across the board, owing to the need to write down securities holdings after the October crash.

However, the bank has actually reduced write-downs, to DM181m, against DM271m, thanks largely to much lower provisioning needs on the credit side. "We have done everything we could in recent years on the provisions side," said Mr Maximilian Haack, the chief executive.

The relatively small decline in the bank's earnings also reflected the strength of its thriving mortgage-lending business, especially in Bavaria. All three mortgage-lending subsidiaries raised their profits last year.

Last year's 8.1 per cent increase in management costs was the main culprit behind the fall in profits. In particular, the bank took on more than 700 employees to meet the new staff would soon be paying their way, according to Mr Dietrich Koellhofer, a member of the managing board.

Earnings were also slightly depressed by the setback at Sinobank, a Düsseldorf-based subsidiary, which was unable to pay a dividend for last year.

Overall, Bayerische Vereinsbank's interest income rose marginally, to DM1,429m, against DM1,411m, thanks to higher business volume, which more than offset slightly narrower margins.

Fee-related earnings also rose slightly, to DM364m, against DM358m in 1986, while total group assets increased by DM9.6m to almost DM150m.

Procordia increases earnings by 51%

BY SARA WEBB IN STOCKHOLM

PROCORDIA, the Swedish state holding company which was partially privatised last summer, reported a 51 per cent increase in profits after financial items to SKr1,368m (€227.5m) in 1987.

Profits were boosted chiefly by the improved performance of pharmaceuticals and publishing. Group sales rose by 6 per cent to SKr16,192m, though taking comparable units into consideration, Procordia said the increase was 8 per cent.

The company is paying a dividend of SKr4.5 and expects profits for 1988 to show a further increase, helped by capital gains from the planned sale of Beryl Kemi, its chemicals operations.

Operating profit for the consumer goods division, which includes food, drink and alcohol interests, slipped from SKr941m to SKr938m, with profits from the food division held in check by the price freeze in Sweden last year and the increased cost of importing raw goods.

The pharmaceutical division increased operating profit from SKr58m to SKr90m, helped by intensive cost-cutting measures.

Operating profits for the services division more than doubled, from SKr42m to SKr111m, boosted by the turnaround at Liber, the group's publishing company. However, the increase was dragged down by hotel

operations, which suffered heavy costs due to expansion overseas. The group paid extraordinary costs of SKr27m because of restructuring in its engineering division.

Esselte, the Swedish office supplies group, reported a 12 per cent increase in profits, after net interest expenses, to SKr54m for 1987, while sales rose by 14 per cent to SKr12,797m. The board proposed raising the dividend from SKr4 to SKr4.5.

The group expected sales and profits to increase by about 10 per cent in 1988, while it expressed caution about market conditions for the full year, it said that demand during the first

part of 1988 had been strong and that costs connected with its pay-TV venture would be reduced in this year.

Esselte reported stronger results from all main divisions during 1987, with the exception of pay-TV operations, which wiped about SKr108m off the profit figure in costs.

The group's business systems division - which is the US subsidiary accounting for 60 per cent of sales - showed a 13.6 per cent increase in sales to SKr7,968m, while operating profit showed a 7 per cent increase to SKr885m. Sales were reduced because of the lower dollar.

Hong Kong closure hits Purcell Graham defectors

BY CLARE PEARSON

A MASS defection of employees from Purcell Graham, the Euro-broker, ended unfortunately for 15 of the people involved last week, when Cantor Fitzgerald, their new employer, closed its Hong Kong operation just nine months after recruiting them to set it up.

Mr John O'Connell, a managing director in charge of Cantor's Eurobond broking in London, said on Friday there was not enough business in Hong Kong to share out between the two firms operating there - Purcell and Cantor itself.

The two managers of Cantor Fitzgerald (Hong Kong) will be returning to the London office. But most of the other employees are likely to lose their jobs. The en masse departure of 50 employees - or half the staff -

of Purcell Graham, which is owned by Exco International, last May raised eyebrows at the time, as it was the largest such move the Eurobond market had seen.

Cantor Fitzgerald, a US broker which began operating in Europe at the end of 1986, was believed to have offered Purcell's brokers very significant salary increases in order to build up its fledgling inter-dealer broking business.

Mr Tim Smith, Purcell Graham's managing director, agreed that volumes were thin in Hong Kong. Purcell Graham, then US-owned, was the first broker to set up in the Eurobond market in 1976. In 1986, it was acquired by Exco International, which was then absorbed by British and Commonwealth Holdings.

Japan relaxes rules on cash options trading

THE JAPANESE Ministry of Finance will allow, from tomorrow, cash options trading in overseas markets by certain types of financial institutions operating in Japan using their own accounts, Reuters reports from Tokyo.

The ministry said it would allow cash options trading in currencies, deposits, bonds, stocks and stock indices listed on overseas securities exchanges.

The 332 institutions which will be given varying new trading privileges are those foreign exchange banks which have correspondent agreements with foreign banks, selected securities firms, both life and non-life insurance companies, and investment trust firms.

Trust banks will also be allowed to trade cash options in foreign markets using their trust accounts, though such accounts

should not be managed by the trust account owners themselves, an MoF official said.

Foreign exchange banks have been given the exclusive right to trade cash currencies options, while securities houses will be the only institutions able to trade cash stock options and cash stock index options.

Life and non-life insurance companies will be allowed to trade interest rate and bond cash options and investment trust companies. The divisions were based on the January agreement between the banking, securities and international finance bureaus of the MoF on liberalising futures and cash options trading.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Average life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Zenith Corp.	50	1993	5	4 1/2	100	Nomura Int.	
Ferraro Della Stata	500	1993	5	8 1/2	101 1/2	J.P. Morgan Secs.	8.154
Fuji Heavy Industries	150	1993	5	4 1/2	100	Balwa Europe	
Nomura Secs.	140	1993	5	4 1/2	100	Nomura Int.	
Waco Machine	20	1993	5	4 1/2	100	Balwa Europe	
British Gas Finance	200	1996	10	8 1/2	99 1/2	Goldman Sachs	8.769
British Gas Finance	200	2018	30	9 1/2	100	Goldman Sachs	9.500
Finlandia	200	2028	40	9 1/2	100	Morgan Stanley	9.725
AUSTRALIAN DOLLARS							
CFP Australia	60	1992	4	12 1/2	101 1/2	Hambros Bank	12.213
Norddeutsche Landesbank	70	1992	4 1/2	12 1/2	101 1/2	Norddeutsche L's Bk	11.987
West LB Int.	50	1993	5	12 1/2	101 1/2	West LB	11.980
IFC	60	1993	5	12 1/2	101 1/2	Hambros Bank	12.083
CANADIAN DOLLARS							
ENCO	100	1993	5	9 1/2	101 1/2	Wood Gundy	8.989
Electric Cap. Canada	150	1993	5	9 1/2	101 1/2	Dominion Secs.	9.209
McDonald's Corp.	75	1993	5	9 1/2	101 1/2	J.P. Morgan Secs.	9.237
CIBC (Singapore)	100	1991	3	9 1/2	101	CIBC Ltd	9.353
Eastman Kodak	150	1990	5	9 1/2	101	Merrill Lynch	8.932
Toronto-Dominion Bank	75	1992	4	10 1/2	101 1/2	McLennan Young Weir	9.470
Caixa Central	200	1993	5	10	101 1/2	UBS Secs.	9.576
Nicholson R.V.	100	1995	7	10	101 1/2	Deutsche Bk Cap Mkt	9.620
Kreditbank Lux.	50	1992	4	9 1/2	101 1/2	BTI	9.199
D-MARKS							
National Westminster Bk	300	1998	10	6	100 1/2	West LB	5.966
American-Brillianten Bk	300	1998	10	6 1/2	100 1/2	Deutsche Bank	6.040
Banque Paribas	150	1994	6	6 1/2	100	Dresdner Bank	6.250
Nomura Secs.	100	1993	5	6 1/2	100	Nomura Europe	
Soc. Gen. Bk. Nederland	150	1993	5	5	100 1/2	Soc. Gen.-Eisenstrasse	4.828
Deutsche Bank Finance NV	500	1993	5	5	101	Deutsche Bank	4.770
SWISS FRANCS							
Setsu Kogyo Co.	30	1993	-	4	100	Citibank Inv. Bank	0.625
Leeds Permanent B. Soc.	200	1993	-	4 1/2	101	UBS	3.901
Oil & Natural Gas Comm.	150	1998	-	5 1/2	100 1/2	Credit Suisse	5.359
EDF	150	2008	-	5	101 1/2	SBC	4.861
Electricite De France	100	1993	-	4	101	SBC	3.777
City of Copenhagen	60	1998	-	4 1/2	101	Kreditbank Suisse	4.374
City of Copenhagen	60	2003	-	4 1/2	100	Kreditbank Suisse	4.750
Nordic Inv. Bk. Helsinki	150	1995	-	3	100	Merrill Lynch	3.080
TransCanada Pipelines	150	1993	-	4 1/2	99 1/2	UBS	4.432
EDU							
Credit Local De France	100	1993	5	7 1/2	101 1/2	CCF	7.133
Swedish Export Credit	100	1992	4	7 1/2	101 1/2	Banque Paribas	6.896
STERLING							
Hydrex	50	1994	6	10 1/2	100 1/2	Barings Brothers	9.853
Dumarka	80	1993	5	9 1/2	101 1/2	UBS Secs.	9.113
United Biscuits (UK)	110	2003	15	5 1/2	100	Warburg Secs.	5.750
YEN							
New Zealand	100m	1993	5	5	101 1/2	Nomura Int.	4.600
New Zealand	100m	1993	5	7	102 1/2	Nomura Int.	4.312
Okbank	5m	1993	5	2 (0)	101 1/2	IBJ	1.607
TVB	10m	1996	8	5 1/2	101 1/2	Yamauchi Int. Europe	5.227
LIRE							
EDF	250m	1996	8	(0)	100	Banca Di Napoli	
LUXEMBOURG FRANCS							
Confiance	300	1995	7	7 1/2	100 1/2	Banque Generale De Lux	7.203

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February 1988

MANAGEMENT

Managers of the future

Masters of a changing environment

Michael Skapinker reports on the findings of a Europe-wide survey



IT'S TIPKIN... I'M ABOUT TO GIVE YOU A DOSE OF TOUGH LOVE WHICH SHOULD LAST YOU CLEAR INTO THE MIDDLE OF THE 21ST CENTURY!

DO YOU SHOWER your employees with "tough love"? You should, according to a report published today by Ashridge Management College and the Foundation for Management Education.

The term "tough love" was used by one of the chief executives interviewed for the report. He used it to describe the combination of hard-nosed business sense and regard for one's employees that he saw as being essential to future business success.

The report, based on interviews with 100 young managers in Britain, France, West Germany, Sweden and Norway, attempted to identify the characteristics of the successful organisations and managers of the future.

The companies surveyed were chosen on the basis of their successful performance and because they were regarded as examples of innovative management practice.

They included the French hotel group Accor, the Swedish household appliances company Electrolux, the Norwegian computer company Norsk Data and the German motor manufacturer BMW. British companies interviewed included Shell UK, ICI, Jaguar and the Burton Group.

The companies had a clear idea of what the successful organisation of the 1990s and the 21st century would look like. They would be flexible and decentralised, they said, while still maintaining a strong overall corporate identity.

They would be close to their customers. Norsk Data, for example, said that it would recruit larger numbers of people from the industries to which it hoped to sell its products.

The successful companies of the future would have an international perspective. Denys Henderson, the chief executive of ICI, said, "If we don't compete internationally, then we don't start. The world does not owe us a living. If we are not a large international business, then we cannot afford the large research effort that will sustain us in future."

The organisations of the future would also eschew hierarchy and would encourage open communication. The Scandinavian companies surveyed already encouraged informality and openness.

At Norsk Data, "many of the employees to be seen at head office dress casually, often in denim jeans," the report said. "They meet frequently in the meeting areas dotted around each floor of the head office. These rooms reflect the 'personality' of each team and are lavishly furnished with kitchen facilities, designer sofas, armchairs, coffee tables, TV sets and magazines, and perhaps a piano. They provide a relaxed and congenial environment for brainstorming and are the focal point of much of the company's decision-making process."

Above all, successful organisations would know how to motivate their young managers. The companies surveyed said they thought financial incentives were an important means of motivating managers. On their own, however, they were not enough. The companies thought that what really motivated managers was the opportunity to take responsibility early in their careers.

Norsk Data, for example, tells its young managers: "To be really productive you must show initiative. Don't wait for information, go and get it!"

One young Norsk Data manager said that "when you come in here there is no structure. It is up to you to get on with it. I had to build a project group from scratch. It is totally up to you. Age is irrelevant. I have a job that in an American company would be given to a 55 year old."

"The difference between Norwegians and Americans is that Norwegians live to work, while Americans work to live. But you can turn potentially lazy people into hard workers if you give them a sense of responsibility and don't stand over them with a club."

With young managers having to take on greater responsibility, did the companies think that general management skills would have to be acquired at an earlier age than in the past?

The survey found that most of the organisations thought specialist skills would remain important. Electrolux said that the manager of the future "must have specialist skills to give him or her status in the organisation." Shell UK said that managers must have demonstrated "an ability to think in their own specialist area before adding on the relevant management disciplines."

Nevertheless, some, like ICI, said they were paying greater

attention to the development of general management skills.

What other qualities would the manager of the future need? Many of those interviewed thought that managers would have to acquire a better understanding of the world outside their company and industry. They would need to appreciate how external political and economic factors could affect their business.

In companies like ICI and Shell UK, where environmental issues are important, managers would need what one of those interviewed called more "public awareness acumen."

A description of the ideal young manager of the future is all very well, of course. The question is, how do you develop them?

The report outlines four existing approaches to management development. It regards only the last of them as truly capable of producing the managers of the future.

The first approach is to do no training at all. As last year's report on management development by Professor Charles Handy made clear, this is by no means uncommon in British companies.

The second sort of management development is what the report calls the "fragmented approach". Here, training is not linked to the company's goals. Nor is it seen as being important to the success of the organisation.

Participants are sent on training courses either as a reward for a job well done or simply because

they have not been on a course for some time. Managers are not encouraged to implement what they have learned when they return to their jobs.

The third category of management development is the "formalised approach". Companies which follow this approach make a greater effort to link training to individual needs. Employees' training requirements are identified during appraisal interviews. Companies which use this approach make a greater effort to ensure that employees get the opportunity to use what they have learned when they return to work.

The fourth category, the one which the report says companies need to adopt if they are going to be successful in years to come, is the "focused approach".

Here, training is not just seen as a tool for the development of individual employees. It is regarded as a competitive weapon, "a necessity for organisational survival in a rapidly changing business environment".

In companies which follow the focused approach, learning is seen as an activity which goes on all the time. These companies do send their employees on outside courses. But they also encourage them to learn while they work - from their superiors, their colleagues and through distance learning packages.

A training manager at Accor said that "today, in our society, there is a false belief that schools and colleges are the places for learning. In fact, what people must see is that learning takes place everywhere, everyday, for everybody."

The report said that this did not mean there was no place for business schools. Several of the companies thought business schools were still useful in helping managers to meet people outside their own organisation, to pick up new ideas and to gain formal, verifiable qualifications.

Many of the managers interviewed said, however, that business schools should tailor their courses to meet the needs of individual companies. A number of British business schools, including Ashridge and the International Management Centre from Buckingham, do so already.

Management for the Future, available from Ashridge Management Research Group, Ashridge Management College, Berkhamsted, Herts, HP4 1NS, £20.

Alitalia Flying through turbulent times

David Lane explains how the airline has gained expertise in crisis management



During the current strike, maintenance of Alitalia's aircraft is being carried out by other airlines

ITALY'S NATIONAL airline, Alitalia, will soon be entering its sixth, highly-disruptive month of labour unrest. Strikes over new contracts started at the beginning of October and since then the company has been accumulating an unprecedented level of expertise in coping with crisis.

Management skills have been brought to a fine pitch in the autumn and winter by events which have seen all categories of employee locked in conflict with the company. "No other airline can claim experience like Alitalia in dealing with disruption," remarks Ferruccio Pavolini, executive vice president.

Pavolini considers that the company's performance provides evidence that disaster can be managed efficiently. "Airline management is complicated even when conditions are normal. There are many factors which impinge on the production process," says Pavolini, giving as examples the weather, technical difficulties and labour unrest outside the airline itself.

However, conditions at present are far from normal. The strikes force Alitalia to cancel 66 flights out of its daily programme of 460. There have been more than 500 stoppages of workshop staff and this has paralysed maintenance. The time taken for servicing has more than doubled," says Pavolini.

This has caused a large gosse of aircraft to be grounded at Rome's Leonardo da Vinci airport. Alitalia has one of its short and medium range fleet of 84 aircraft undergoing preventive maintenance when operations are normal. Currently there are 22 in the hangars or standing on the apron outside.

These figures illustrate how Alitalia's management is being able to soften the impact of the strikes on operations. Medium and short range aircraft fly a daily average of six legs, or flights. With an extra 19 aircraft grounded, Alitalia should be keeping 78 flights each day. Instead the airline is restricting the damage to 65.

"It means operating without reserves," admits Mauro Scalessa, who reports to Pavolini and is responsible for operational co-ordination and programme management. Scalessa explains that Alitalia would normally have aircraft available as replacements for when technical difficulties occur, or to insert into the flight programme when delays have accumulated.

"By using reserve aircraft to avoid cancelling flights we accept the risk of reduced levels of punctuality," explains Scalessa. The policy has paid off so far. Pavolini reports that Alitalia is achieving 80 per cent punctuality on its international routes and 85 per cent on its domestic services.

only to the assurance of flight safety. "Operations co-ordinators have to be especially careful in the way they deal with pilots in this period. Often, several variations may have to be written into flight plans, like change of aircraft livery, switches in routing or destination or modification to refuelling programmes," he says.

Alitalia's operations co-ordinator group of 20 people is in the front line, called on to take rapid decisions in the airline's day-to-day running. Flexibility, coolness and the capacity for quick response are the fundamental requirements being severely tested.

"A phone call always brings problems," says Scalessa. He believes that the uncertainty and disruption caused by the strikes has caused a five-fold increase in his department's workload.

Superimposed on the difficulties created by the permanent shortage of aircraft, and the 55 cancelled flights each day, Alitalia is faced with an intense series of stoppages by all operational staff.

The airline has separate labour contracts for pilots, ground staff, cabin staff and flight engineers. Moreover, different trade unions are involved in each category. Further complications arise from

strikes by other air transport workers: air traffic controllers, airport firemen, customs, handlers and oil companies. "It is rather like a chess game. Imagination is needed," says Scalessa.

However, some rules can be set which reduce the need for brain-stretching exercises. "In these conditions we have opted for a first-in-first-out system. The first aircraft to arrive is the first to leave," he says. And Alitalia is computerising its aircraft resource schedule. This will not only reduce the human workload but will also place the airline in the forefront with this type of information system.

Behind the day-to-day co-ordination group there is an operations planning group, involving all Alitalia's line activities from sales and marketing to airport operations and maintenance.

This meets every Monday to review the seasonal programme. Though the current season runs until the end of March, the group is already taking account of factors which will affect operations during the next period.

The fixed programme of cuts was decided by the operations planning group. Sudden cancellation of flights due to low passenger numbers, a practice widely adopted by airlines during the oil crisis, is not occurring at Alitalia. "If a planned flight has no passengers, then the aircraft flies empty," claims Pavolini.

"Cuts have been based on the criterion that passengers should be penalised as little as possible. This means reducing domestic flights by about 15 per cent and cancelling international flights only to the level where joint capacity with other carriers is sufficient. We have been giving traffic to other airlines," says Pavolini.

Alitalia has paid particular attention to keeping passengers informed," he says. Indeed, during this long-running crisis, Italy's airports have been less troubled by hordes of discontented travellers than might have been expected.

Pavolini regrets that the results achieved by the airline over recent years are being jeopardised. "It is very stressful that our efforts to improve Alitalia's image and increase traffic are being nullified," he says. He is hopeful, however, that there will be a return to normal working in time to benefit from the April to October season.

Nevertheless clearing the maintenance backlog alone will take at least a month. Italian flair and managerial skills will be needed for Alitalia's recovery. It will need to regain its share of the thriving world market in order to reach the profits of more than £70m (£20m) which were returned last year.

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LONDON RECENT ISSUES

Table of London recent issues including stock prices, changes, and volume.

Table of fixed interest stocks including interest rates and yields.

Table of rights offers including company names and offer details.

Small text block providing additional information related to the rights offers table.

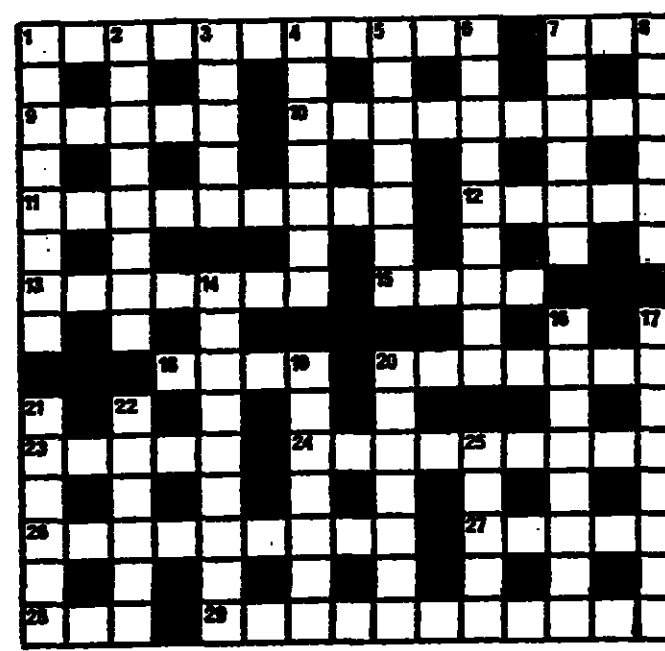
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Main table listing various unit trusts, their managers, and performance metrics.

Advertisement for ANADIN (Micro Thin Coated Aspirin) featuring the text 'For ASPIRIN pain relief TAKE ANADIN FAST PAIN RELIEF NEW - EASY TO SWALLOW the proven formula'.

FT CROSSWORD No.6,586 SET BY TANTALUS



- List of crossword clues, including '1 Headgear for happy and caring characters (8,3)', '7 Arrange collection (3)', '10 Friends join serious court palatine (5)', etc.

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مكتبة الجليل

FT UNIT TRUST INFORMATION SERVICE

Table listing various unit trusts under the heading 'Scottish Asset Management Ltd' and 'Scottish Life Investments Ltd'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'Trades Union Unit Trust Managers' and 'UK Unit Trust Managers Ltd'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'Aetna Life Insurance Co UK' and 'Aetna Life Insurance Co USA'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'Central Medical Managed Funds Ltd' and 'Central Medical Group'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'Fidelity Assurance Limited' and 'Fidelity Assurance Society'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'Merrill Lynch Administration' and 'Merrill Lynch Investment Services'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'Legal & General (Unit) Pension Ltd' and 'Legal & General Assurance Co Ltd'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'Municipal Life Assurance Ltd' and 'Municipal Life Assurance Co Ltd'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'Scottish Life Investments Ltd' and 'Scottish Life Assurance Co Ltd'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'Windsor Unit Trust Managers Ltd' and 'Windsor Unit Trust Managers Ltd'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'British National Pension Services' and 'British National Pension Services'. Columns include company name, address, and contact details.

Table listing various unit trusts under the heading 'Commercial Life Insurance PLC' and 'Commercial Life Insurance PLC'. Columns include company name, address, and contact details.

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INSURANCES

Table listing various insurance companies under the heading 'AA Friendly Society' and 'AA Friendly Society'. Columns include company name, address, and contact details.

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FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information, organized into columns for various fund categories and providers. Includes sections for 'OFFSHORE AND OVERSEAS' and 'MANAGEMENT SERVICES'.

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Manager, and other details.

BRITISH FUNDS

Table of British Funds, listing fund names, managers, and performance metrics.

Table of British Funds - Cont'd, continuing the list of funds and their details.

Table of Foreign Bonds & Rails, listing international bond and rail investments.

Table of Americans, listing American stock market investments.

Table of Int. Bank and O'seas Govt Sterling Issues, listing international government securities.

Table of Corporation Loans, listing corporate loan investments.

Table of Commonwealth & African Loans, listing loans in Commonwealth and African regions.

Table of Loans, listing various loan investments.

Table of Building Societies, listing investments in building societies.

Table of Public Bond and Int., listing public bond and international investments.

Table of Money Market, listing money market investments.

Table of Trust Funds, listing various trust fund investments.

Table of Money Market Trust Funds, listing money market trust fund investments.

Table of Money Market Bank Accounts, listing money market bank account options.

Table of Money Market Bank Accounts (continued), listing additional bank account options.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American companies such as IBM, General Electric, and Ford, with columns for share price, dividends, and other financial metrics.

CANADIANS

Table listing Canadian companies such as Alcan, Inco, and Northern Copper, with columns for share price, dividends, and other financial metrics.

BANKS, HP & LEASING

Table listing financial institutions and leasing companies such as Bank of Montreal, CIBC, and Finance Trust, with columns for share price, dividends, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beverage companies such as Carlsberg, Heineken, and VVO, with columns for share price, dividends, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing construction and infrastructure companies such as Bovis Lend Lease, Bovis Lend Lease, and Bovis Lend Lease, with columns for share price, dividends, and other financial metrics.

BUILDING, TIMBER, ROADS - Contd

Continuation of the Building, Timber, and Roads section, listing companies like Bovis Lend Lease and Bovis Lend Lease.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies such as ICI, Shell Chemicals, and British Petroleum, with columns for share price, dividends, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and retail companies such as Debenhams, Debenhams, and Debenhams, with columns for share price, dividends, and other financial metrics.

BUILDING, TIMBER, ROADS

Continuation of the Building, Timber, and Roads section, listing companies like Bovis Lend Lease and Bovis Lend Lease.

DRAPERY AND STORES - Contd

Continuation of the Drapery and Stores section, listing companies like Debenhams and Debenhams.

ELECTRICALS

Table listing electrical companies such as British Electric, British Electric, and British Electric, with columns for share price, dividends, and other financial metrics.

Continuation of the Electricals section, listing companies like British Electric and British Electric.

Continuation of the Drapery and Stores section, listing companies like Debenhams and Debenhams.

Continuation of the Building, Timber, and Roads section, listing companies like Bovis Lend Lease and Bovis Lend Lease.

ENGINEERING - Contd

Continuation of the Engineering section, listing companies like British Aerospace and British Aerospace.

FOOD, GROCERIES, ETC

Table listing food and grocery companies such as Borden, Borden, and Borden, with columns for share price, dividends, and other financial metrics.

HOTELS AND CATERERS

Table listing hotel and catering companies such as Whitbread, Whitbread, and Whitbread, with columns for share price, dividends, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Continuation of the Industrials (Misc.) section, listing companies like British Petroleum and British Petroleum.

Continuation of the Food, Groceries, Etc section, listing companies like Borden and Borden.

Continuation of the Hotels and Caterers section, listing companies like Whitbread and Whitbread.

INDUSTRIALS (Misc.) - Contd

Continuation of the Industrials (Misc.) section, listing companies like British Petroleum and British Petroleum.

Continuation of the Food, Groceries, Etc section, listing companies like Borden and Borden.

Continuation of the Hotels and Caterers section, listing companies like Whitbread and Whitbread.

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July 1952

LONDON SHARE SERVICE

INSURANCES - Contd

Table of insurance companies including Lloyds, Commercial Union, and others, with columns for stock price, dividends, and other financial metrics.

LEISURE

Table of leisure companies such as Holiday Inns, Sunningdale, and others, listing their share prices and dividends.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade companies including Rover, Daimler-Benz, and others.

COMMERCIAL VEHICLES

Table of commercial vehicle companies like Leyland, Daimler-Benz, and others.

COMPANIES

Table of various companies including British Airways, British Overseas Airways, and others.

GARAGES AND DISTRIBUTORS

Table of garage and distributor companies like British Motor, and others.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing companies including News International, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table of paper, printing, and advertising companies like Newsprint, and others.

PROPERTY

Table of property companies including British Land, and others.

SHIPPING

Table of shipping companies like British Overseas Airways, and others.

SHOES AND LEATHER

Table of shoes and leather companies including British Leather, and others.

SOUTH AFRICANS

Table of South African companies like Anglo American, and others.

TEXTILES

Table of textile companies including British Textiles, and others.

TEXTILES - Contd

Table of textile companies like British Textiles, and others.

TOBACCO

Table of tobacco companies including British American Tobacco, and others.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land companies like British Trustee, and others.

FINANCE, LAND, etc

Table of finance, land, and other companies including British Finance, and others.

OIL AND GAS

Table of oil and gas companies like British Petroleum, and others.

OIL AND GAS

Table of oil and gas companies including British Petroleum, and others.

OIL AND GAS

Table of oil and gas companies like British Petroleum, and others.

TRUSTS, FINANCE, LAND - Contd

Table of trusts, finance, and land companies like British Trustee, and others.

FINANCE, LAND, etc

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Table of oil and gas companies like British Petroleum, and others.

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OIL AND GAS

Table of oil and gas companies like British Petroleum, and others.

OIL AND GAS - Contd

Table of oil and gas companies including British Petroleum, and others.

OVERSEAS TRADERS

Table of overseas traders like Anglo-Siam, and others.

PLANTATIONS

Table of plantation companies including British Plantations, and others.

MINES

Table of mining companies like Anglo American, and others.

G.P.S.

Table of G.P.S. companies including Anglo-Siam, and others.

DIAMOND AND PLATINUM

Table of diamond and platinum companies like Anglo-Siam, and others.

FINANCE

Table of finance companies including British Finance, and others.

MINES - Contd

Table of mining companies like Anglo American, and others.

THIRD MARKET

Table of third market companies including Anglo-Siam, and others.

MINES

Table of mining companies like Anglo American, and others.

OVERSEAS TRADERS

Table of overseas traders like Anglo-Siam, and others.

DIAMOND AND PLATINUM

Table of diamond and platinum companies like Anglo-Siam, and others.

FINANCE

Table of finance companies including British Finance, and others.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including Anglo-Siam, and others.

A selection of options traded is given on the London Stock Exchange Report Page.

WORLD STOCK MARKETS

Handwritten signature: J. J. ...

Table with columns for country (AUSTRALIA, FRANCE, JAPAN), date (March 20), and stock prices for various companies.

Table with columns for country (GERMANY, HONG KONG, INDIA, ITALY, KOREA, MALAYSIA, NETHERLANDS, NEW ZEALAND, NORWAY, PORTUGAL, SOUTH AFRICA, SWEDEN, SWITZERLAND, THAILAND, U.K.), date (March 20), and stock prices.

Table with columns for country (CANADA), date (March 18), and stock prices for various companies, including a section for MONTREAL.

Table with columns for country (JAPAN), date (March 20), and stock prices for various companies.

Table with columns for country (AUSTRALIA), date (March 20), and stock prices for various companies.

Table with columns for country (CANADA), date (March 18), and stock prices for various companies, including a section for MONTREAL.

Advertisement for 'Travelling on Business?' featuring Diana Majestic, Duca di Milano, Hotel Excelsior Gallia, Hilton Hotel, Hotel Michelangelo, Hotel Palace, Hotel Principe di Savoia.

Table with columns for country (AUSTRALIA), date (March 20), and stock prices for various companies.

Table with columns for country (CANADA), date (March 18), and stock prices for various companies, including a section for MONTREAL.

July 1970

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, High, Low, Last, and Change. Includes sub-sections like 'Continued from Page 36' and 'Over-the-Counter'.

Table of AMEX Composite Closing Prices. Columns include Stock, High, Low, Last, and Change. Includes sub-sections like 'Over-the-Counter'.

OVER-THE-COUNTER Nasdaq national market, Closing prices March 18

Table of Over-the-Counter (Nasdaq) Closing Prices. Columns include Stock, High, Low, Last, and Change. Includes sub-sections like 'Over-the-Counter'.

Advertisement for Athens. Text: 'Have your F.T. hand delivered... Athens (01) 7237167... Hellenic Distribution Agency (01) 991328... FINANCIAL TIMES Europe's Business Newspaper'.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound expected to stay strong and UK trade balance to improve

BY COLIN MILLHAM

STERLING MAY continue to dominate attention on the foreign exchange this week.

The UK Budget and a surprising cut in bank base rates put the spotlight on the pound last week.

Recent comments by the Prime Minister and the Chancellor stressed the importance of keeping inflation under control.

The City assumes the Chancellor was sufficiently worried about loss of competitiveness from a rising exchange rate.

It was also seen as a move to reassure the Chancellor's control over monetary policy.

whether upward pressure on the pound should be controlled through lower interest rates.

Mr Marc Hendriks, chief economist at Barings Economics Unit, says he believes another cut in base rates is possible if sterling continues to rise.

DM3.10 seems to be a level where the authorities might be sufficiently concerned to send further signals to the market.

Mr Mark Cliffe, economist at Nomura Research Institute also sees the possibility of another cut in interest rates.

The pound's reversal on Friday was generally regarded as temporary, and based on profit taking.

There should be little to move sterling in the early part of the week, as the market waits for Friday when figures on UK trade and inflation will be published.

City economists expect an improvement from the record £1.5bn visible trade deficit and £305 current account shortfall in January.

It would also not be considered surprising if January's figures are revised down.

Forecasts tend to depend on how high a level of distortion economists believe was in the January deficit.

Barings forecasts a visible deficit of £600m and a flat current

account. County NatWest sees a visible deficit of £700m and a current account deficit of £100m.

Nomura finds the trade figures hard to forecast and thinks they will also be difficult to interpret.

A visible deficit of £300m is looked for, and a current account shortfall of £300m.

Greenwell Montagu Research suggests there may be an upward move in the UK invisible surplus to £700m, and after forecasting a visible deficit of £1bn, also believes the current account deficit will be £300m.

Forecasts from Warburg Securities, Kleinwort Greaveson Securities, and Morgan Grenfell are all just over £1bn for the visible

deficit and around £500m for the current account shortfall.

After the recent comments from officials on inflation, Friday's publication of the retail prices index for February will also be watched carefully.

A monthly rise of 0.3 p.c., but a fall in the year-on-year inflation rate to 3.2 p.c. from 3.3 p.c., have been widely forecast.

STERLING INDEX

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: S 30, S 100, S 1000, S 10000, S 100000, S 1000000.

CURRENCY RATES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Sterling, US Dollar, Swiss Franc, etc.

CURRENCY MOVEMENTS

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Sterling, US Dollar, Swiss Franc, etc.

OTHER CURRENCIES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Argentina, Brazil, Canada, etc.

FORWARD RATES AGAINST STERLING

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: US Dollar, Swiss Franc, etc.

MONEY MARKETS

US data unlikely to move dollar

SEVERAL US economic statistics will be released this week, but whether there will be any impact on the dollar must be in doubt.

The US currency could be in for a period of stability, with economists seeing a favourable trend in the trade balance.

January's deficit of \$12.44bn was less than expected, and seasonal factors could result in even better figures for February and March.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Belgium, France, Germany, etc.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

EURO-CURRENCY INTEREST RATES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

EXCHANGE CROSS RATES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: DM, SF, SFr, etc.

FT LONDON INTERBANK FIXING

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: London, Tokyo, Brussels, etc.

LONDON (CLIFFE)

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

CHICAGO

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

NEW YORK

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

PARIS

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

FRANKFURT

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

BRUSSELS

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

AMSTERDAM

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

STOCK EXCHANGES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: London, New York, etc.

FT-SE INDEX FUTURES OPTIONS

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

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Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

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FT-SE INDEX FUTURES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: 1 month, 3 months, 6 months, 12 months.

BASE LENDING RATES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Bank of England, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Australia, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Belgium, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Canada, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: France, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Germany, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Italy, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Japan, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Korea, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Malaysia, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Mexico, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Netherlands, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Norway, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Singapore, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: South Africa, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Sweden, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Switzerland, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Taiwan, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Thailand, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: UK, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: USA, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: West Germany, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: World Ex. So. Af., etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: World Ex. Japan, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: World Index, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Australia, etc.

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ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Mexico, etc.

ACTUARIES WORLD INDICES

Table with columns: Mar 18, Mar 19, Mar 20, Mar 21. Rows: Netherlands, etc.

EUROPEAN OPTIONS EXCHANGE

Table with columns: May 88, Jun 88, Jul 88, Aug 88, Sep 88, Oct 88, Nov 88, Dec 88. Rows: GOLD, etc.

Table with columns: May 88, Jun 88, Jul 88, Aug 88, Sep 88, Oct 88, Nov 88, Dec 88. Rows: DAX, etc.

Table with columns: May 88, Jun 88, Jul 88, Aug 88, Sep 88, Oct 88, Nov 88, Dec 88. Rows: FTSE, etc.

Table with columns: May 88, Jun 88, Jul 88, Aug 88, Sep 88, Oct 88, Nov 88, Dec 88. Rows: Nikkei, etc.

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John Batten

SECTION III

FINANCIAL TIMES SURVEY

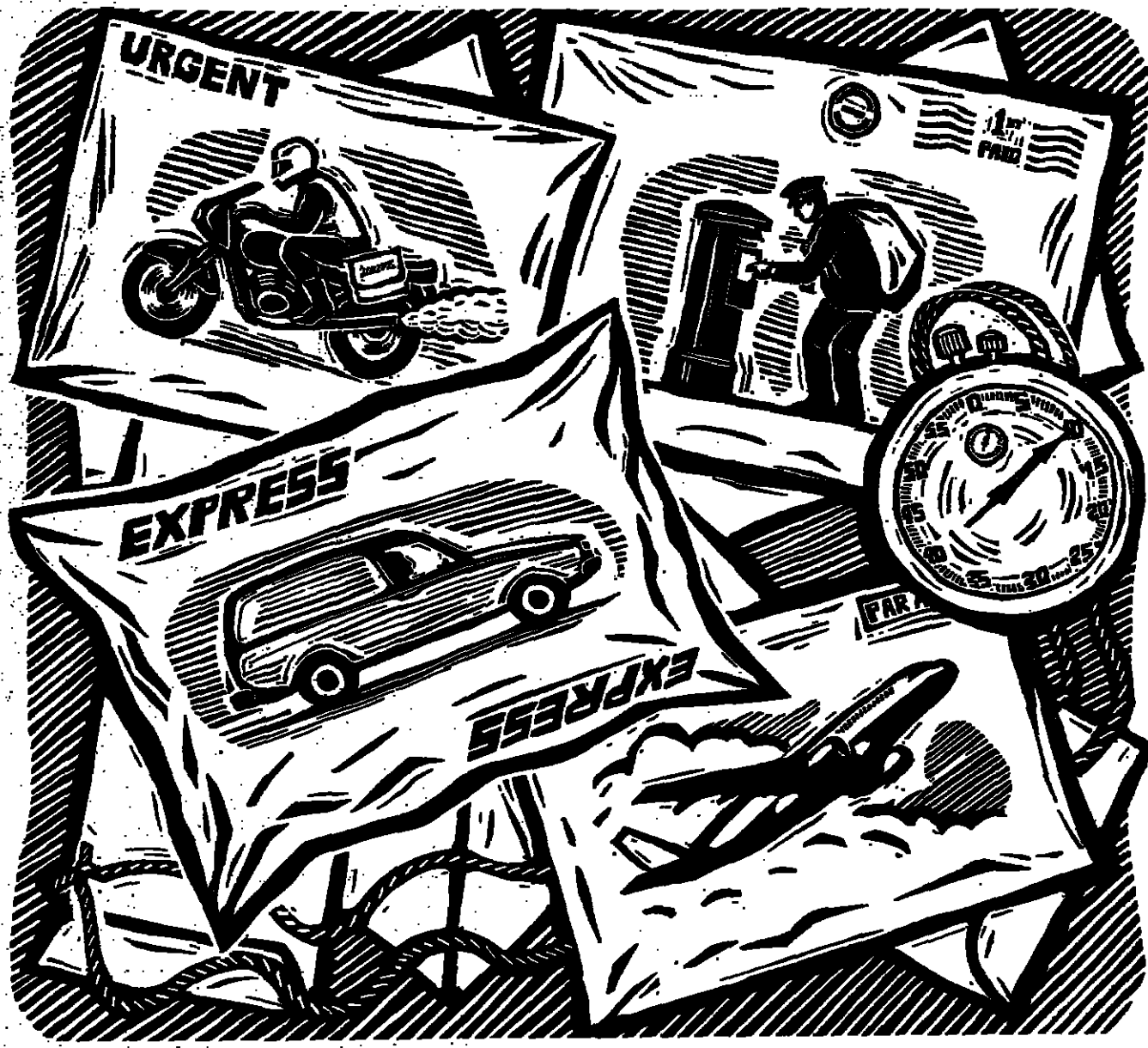


Major changes are taking place in the structure, technique and technology of the express industry, which continues to set records for growth.

Kevin Brown argues that the movement towards European integration is bound to give an impetus to express traffic

The European impetus

THE COURIER and express industry had a bit of luck recently when the UK's Post Office workers threatened to go on strike, ensuring massive publicity for the "alternative" services of some of the private companies. Fortunately for the industry, the strike was called off at the 11th hour, so that the rash claims of some companies that they could replace the Post Office were never put to the test. For an industry which depends for its continued growth on high profile publicity and increasing public awareness, the threatened strike was a godsend. Best of all, it did not cost anything, since most of the coverage counted as news. In fact, of course, it was all largely a sham, since even the biggest companies had neither the capacity nor the financial resources to handle the huge volumes of overnight mail carried by the Post Office. Mr Peter Towle, chief executive of Securicor Express, put it bluntly when he pointed out that even if all the private companies' resources were combined, they would still be unable to match the Post Office system. The Government is believed to have the Post Office monopoly of letters valued at less than £1 under review. But even if it decides to break the monopoly, it is already clear that the only viable system of competition is likely to be a licensed monopoly along the lines of British Telecom/Mercury. Even this may not be tempting enough. As Mr Colin Millbanks, European vice-president of Federal Express, puts it: "Why should any company want to risk its money in the low margin letter business when it can get a bigger and safer return carrying documents and parcels?" Postal hype aside, the express industry continues to set records for growth, though it remains difficult to be precise because of the absence of reliable figures. Various surveys have estimated the growth of the European industry at between 20 and 50 per cent, however, and growth at this level is widely expected to continue for several years. Forecasts for the world market are even harder to obtain, but Emery Airfreight recently estimated the global air cargo market, including express traffic, at around \$18bn, and forecast an increase to \$66bn by 1995, when it expected express traffic to account for over 70 per cent of the market. Major changes are taking place in the structure, techniques and technology of the express industry, as it begins to mature in Europe and as new competitors seek to win a slice of the action. This trend has been particularly marked in the development of a three-tier system of same day, overnight/next day, and two to three-day services. Most attention remains on the overnight market, which operators see as offering the greatest growth potential, and services are being refined by the introduction of options ranging from any time to specific times tailored to individual requirements. An increasing number of same-day services are being offered, however, in addition to the front-runner in this field, the British Rail Red Star operation. Private companies such as TNT have moved into the market, and the stakes are being increased on all sides by the use of aircraft for trunking services. At the slower end of the market, the two to three-day services are settling down into a reliable option for the customer who wants delivery faster than the four to five days offered by non-express companies, but does not want to pay the premium for overnight delivery. A greater divergence is emerging in technique, as some operators persist with the hub and spokes systems which proved so successful for the pioneer US express carriers, and others experiment with other systems. Most of the big UK operators - FedEx, TNT, Parceline, Interlink and others - have hubs of varying sizes and capacity, and most say their operations would be impossible without them. On a European scale, Brussels has emerged as the favourite hub location, and Express Mail Services, the joint company handling the express business of 12 national post offices, recently set up its European hub there alongside DHL, FedEx, PandaLink, Securicor and TNT. The principal company operating without a hub is Securicor Express, which uses 12 sorting centres for its UK distribution operation, linked by overnight road trucking. Securicor Express says the size of its operation would preclude the use of a hub, though this is at odds with the experience of much larger US operations. The principle of hubless operations has been extended to AerSecuricor, a joint company set up last month by Securicor and Aer Lingus, the Irish airline. AerSecuricor was formed to offer Securicor an air link between its existing ground operations in Europe without the cost of investing in its own aircraft, and to give Aer Lingus increased cargo volumes, particularly for its fleet of Boeing 737 Combi aircraft. The joint company is the first



Courier and Express Services

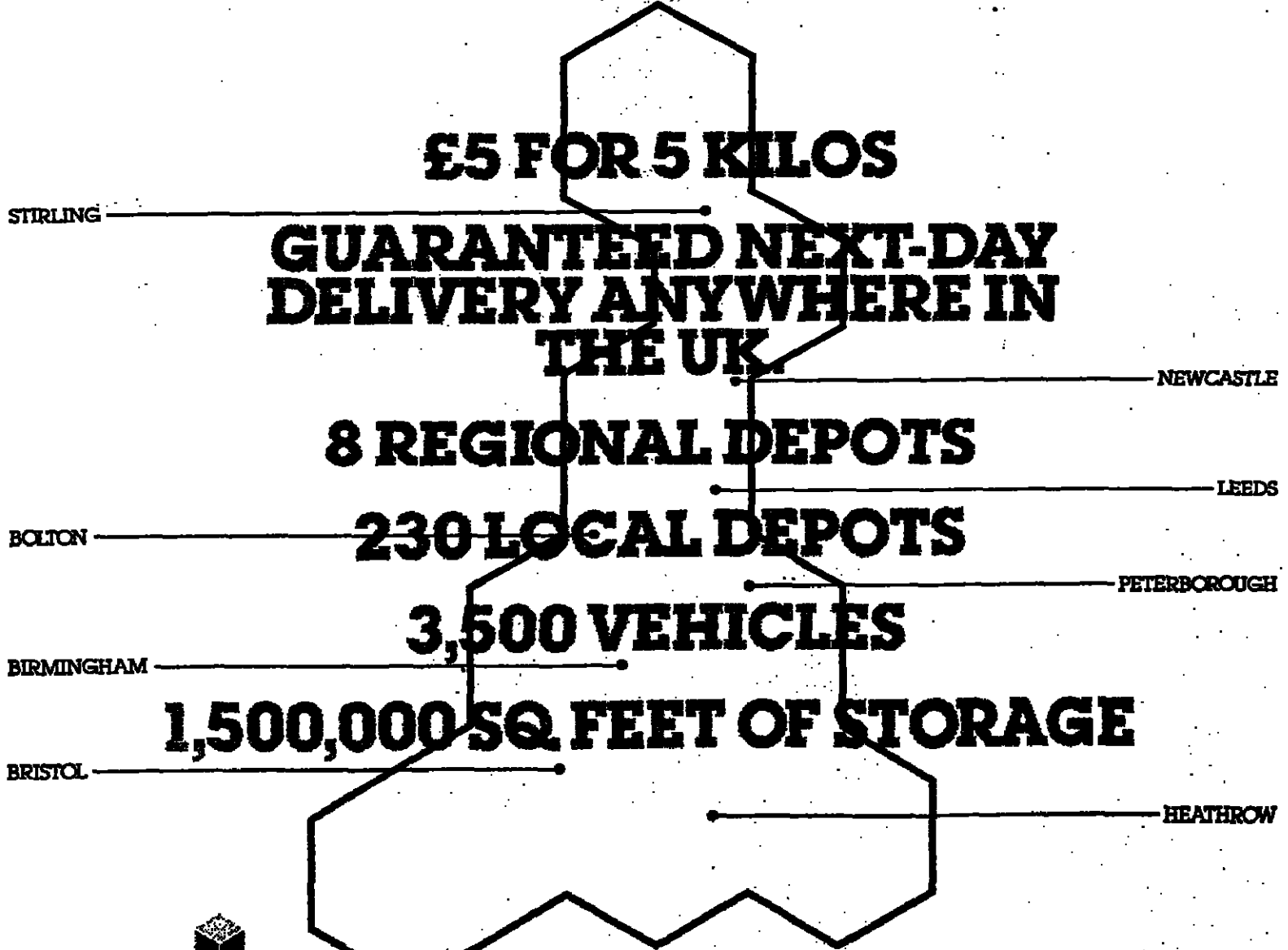
formal venture between a scheduled airline and an express parcels carrier, and follows the allocation of extra-European routes to Aer Lingus under the "fifth freedom" provisions of the European Community agreement on air services, reached in Luxembourg in December. The establishment of AerSecuricor reflects the impetus being given to the creation of a common European market by the approach of 1992, the date by which member states of the European Community have agreed to abolish internal barriers. The movement towards European integration is potentially immensely profitable for the express companies, since increasing commercial and business contacts between the 300m members of a single unified market is bound to give an impetus to express traffic. As a result, operators are already competing to extend the areas to which they can offer overnight delivery, and some companies are also beginning to develop same-day services between EC countries. There is disappointment, however, at the slow progress being made in harmonising fiscal regimes within Europe, and there is great enthusiasm, in particular, for the elimination of different Value Added Tax regimes. The dramatic expansion in Europe has been accompanied by a push into other parts of the world, notably Australasia and the Far East, but also parts of Africa, as the express companies seek to maximise their geographical coverage. This process has been stimulated partly by the growth in the popularity of the just-in-time distribution philosophy, which originated in Japan, and aims to cut inventory costs by tailoring stock delivery to production or retailing schedules. The advance into Asia grew initially out of the boom in cross-Pacific trade between the US, Japan and newly-industrialising countries of the Far East, and much of the forward planning continues to be concentrated there. Federal Express, for instance, has long-term plans to move freight across the Pacific at up to Mach 5 in hypersonic aeroplanes. At the same time, however,

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there is increasing interest in the Europe/Far East market, excited partly by attempts by Japanese and Korean exporters to diversify away from overdependence on US markets. Other markets which are rapidly increasing in size and importance include the Middle East, and Nigeria, where IML, of the UK offers next-day delivery from London to Lagos and several other large cities. This expansion into new geographical markets may stand the express companies in good stead as they come under pressure from electronic data transmission. So far, this threat has been more feared than actual, and operators have found that while most customers will turn to electronic transmission for a few sheets of paper, they usually stick to express transport for longer documents. TNT Skypak, for instance, says it has recorded an increase of 25 per cent in worldwide document traffic in the last year, despite predictions that there would be a decline because of electronic competition. For some of the big operators, electronic transmission also offers an opportunity to develop an alternative method of linking ground distribution networks. This route has been pioneered by the UK Post Office, which offers a service known as Intelpost, through which documents can be transmitted to post offices in around 30 countries, and then delivered by messenger. Several private companies have also experimented with electronic products, notably the Stellite Express service offered by DHL, which is designed to handle drawings and photographs as well as written text. There have been some casualties, however, including the spectacular collapse of the Zappal operation set up by Federal Express, which was closed two years ago after losing several hundred million dollars. The industry also has problems in dealing with the world's customs services, largely because of delays in processing caused by rules drawn up before express deliveries were invented. At the end of the day, however, it remains true that the problems facing the express industry are principally those of success.

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EXPRESS SERVICES 2

Customs

Checks holding back the carriers' growth

INTERNATIONAL express delivery poses a serious problem for the world's customs services, which operate largely on the basis of regulations drawn up before the industry was invented. The difficulty arises principally because of the rapid increase in international express deliveries, which are estimated to have grown from around 5m packages in 1980 to some 40m last year.

This has created an international business worth some \$4m a year, on top of around \$10m in domestic markets. But it has also led to friction between the customs authorities and the companies. The crux of the problem is that the regulations which govern international consignments were not designed to facilitate rapid delivery across national boundaries.

A delay of one or two days while documents are sorted out is irritating enough for the ordinary shipper. But it is critical to the express industry, which is selling speed above all else.

Customs authorities have responded to the rapid growth of the industry in a number of ways, such as rapid baggage clearance for courier traffic at Heathrow Airport and simpler procedures for low value shipments to the US.

Some customs administrations have also assigned inspectors to the processing and despatch centres, known as "hubs," established by some express operators in Europe and the US.

In addition, consignment parcels sent by the express divisions of national post offices are treated by the customs as mail, which brings them under a separate regulation and reduces transit times.

Predictably, this special treatment for post office services is resented by private companies, which claim it represents anti-competitive discrimination by the supposedly neutral customs authorities.

The private and public operations have begun to close ranks recently, however, recognising that their interests lie in presenting a united front to the customs services in pursuit of greater concessions.

The carriers argue that improvements to the system made by the customs authorities are insufficient, and claim that there is little international harmonisation, so that the rules vary from one country to another.

These claims were given support by a survey carried out for the International Express Court-

ers' Conference, the body representing the major carriers, by Peat Marwick McLintock, the accountancy firm. The survey indicated that:

- express consignments are being held up by slow handling, which is restricting the carriers' efficiency and restraining growth;

- governments are losing revenue because customs services are too hard pressed to assess duty properly on the increasing flow of packages.

The IECC says the survey showed that even customs authorities themselves could not properly administer the regulations.

Some progress towards speeding up the regime was made in June, at the annual meeting of the Customs Co-operation Council, the United Nations agency which represents 98 of the world's customs authorities.

The council agreed to a series of guidelines designed to harmonise the procedures of individual customs administrations and encourage greater use of comput-

ers and electronic transfer of information.

Among other things, customs authorities are encouraged to provide 24-hour services where there is a demand, and to operate at the point of entry/exit to speed up processing operations at hubs.

The guidelines have only advisory status, however, and will be reviewed at the next annual meeting in Brussels in June. The experiment will continue only if the directors of the 98 member authorities are satisfied they are working properly.

Meanwhile, the terms of an accompanying memorandum of understanding between the council and the operators have only recently been agreed, some nine months after it was approved in principle.

This document, described by one of the operators as "a gentlemen's agreement," is largely concerned with preventing the use of express services for drug smuggling, and could obviate the lengthy checks carried out in some countries.

Both operators and customs

authorities say the guidelines have made little difference to the treatment of express services so far, although the US has published amendments to its regulations which could take effect later this year.

US customs officials have proved the greatest enthusiasts for radical change in the regime, perhaps because of the long experience of the big express operators, such as Federal Express, DHL and Emery.

There has been less enthusiasm in Europe, and almost none in the Far East, largely because customs authorities say they can already deal with consignments quickly.

Officials say express deliveries can be dealt with satisfactorily under the special arrangements developed for perishable consignments such as fresh flowers, fruit and vegetables.

This is contested by the express companies, which say the existing regulations will eventually prove incapable of handling the sheer bulk and variety of their shipments.

Their arguments have been largely accepted within the Brussels-based Secretariat of the Council, which is believed to have been in broad sympathy with proposals in a document produced by the IECC known as the Rhine Book.

The essence of the Rhine Book proposals was that attempts to speed up existing regulations were bound to fail in the long run, and that express services

should be treated as a single new customs category.

This approach was endorsed in a draft study produced by the secretariat, but the detailed proposals it contained were later watered down by a "committee of experts," and further diluted by the council itself to form the existing guidelines.

The secretariat is also studying other developments which have helped to speed up express operations, including the Single Administrative Document introduced within the European Community from January 1, and similar initiatives in North America and Australasia.

The hope is that simplified documentation, along these lines, could eventually provide a model for a world administrative document, though officials concede that this is likely to take many years to negotiate.

The secretariat is also keen to reduce the number of customs checks by encouraging national administrations to place more trust in each other's efficiency.

However, developments of this sort are still a long way off. The secretariat has tentatively arranged to meet the operators for further discussion in September - but only if the council agrees to extend the existing guidelines.

The process of evolution, as one official put it, has a long way to go.

Kevin Brown
Transport Correspondent



Eagle Trust, the publicly-quoted industrial management company, has just taken over Connect UK, which offers a guaranteed next-day parcel delivery service starting at 25 for 5kg.

new, competing with the likes of Datapost and TNT Sameday. The last-named makes extensive use of National Express coaches for trunking operations, supporting those with radio-equipped motor cycles, vans and trucks for collection and delivery activities.

Increasingly, though, express companies are turning to air operations as a means of sustaining same-day delivery services throughout the UK. Red Star, for instance, is likely soon to extend air-based same-day services started last October to include Dublin. Cities covered at present include London, Glasgow, Edinburgh, Aberdeen and Belfast.

By using the air connections, we can now offer much later cut-off times for same-day deliveries between England and Scotland than we could by using just rail services. In some cases, we can

last few months, for example, Post Office organisation Datapost has introduced timetabled same-day delivery services between the London area and Amsterdam, Paris and Dublin, while courier company TNT Skypak has started similar document delivery services linking the London area with Brussels, Zurich, Frankfurt, Amsterdam, Paris and Dublin. Both send traffic via scheduled airline services.

It is hard to quantify the future demand for intra-European same-day deliveries but express companies claim that within the European Community there should be considerable scope for developing products very much along the lines of those now established for domestic traffic.

"I don't feel that same-day services come into the same category as overnight or two/three day services. If people want something delivered the same day then it definitely is a top

Some large companies have moved on from simple next-day services to timed options, such as before 9am, before 10.30am and before noon

offer collection up to midday for delivery before the close of that working day," claims Mr Mike Benser, marketing manager for Red Star. Similarly, City Link now uses domestic air services, including BA shuttles and the regular flights of carriers British Midland and Brymon as well as the railways for its nationwide same-day operations.

"On the same-day side, we possibly use air links more now than rail. In the main, services are door-to-door. Very few customers deliver in districts some mile for the 'facility' whereby the consignee collects from the station," says Mr David Kennard, joint deputy managing director for City Link.

Now attention is beginning to focus on similar possibilities for intra-European traffic. Within the

priority job; the items involved have got to be there that day, there is no option about it," comments Mr Kennard of City Link.

Another development which could open up new opportunities for the European same day services, according to Red Star, is the planned Channel Tunnel. Mr Benser says current thinking envisages accommodation being provided for parcels on both daytime and overnight trains.

"The idea is that for overnight services, parcels vehicles will initially be attached to the back of trains, although within a few months of the opening of the tunnel we would expect to be running our own parcels trains. Space will also be made available for parcels on daytime trains to cater for same-day services," he says.

Philip Hastings

Overnight deliveries

And on the next day, the parcel was there

THE TERM express service is now increasingly taken to mean an overnight/next day delivery, at least as far as the UK domestic and intra-European markets are concerned. At the same time, interest is growing in the use of same-day services in both sectors.

The pace of development and growth in the overall courier/express industry over the last few years has been such that both users and operators still tend to put a variety of interpretations on the word express. Most agree, though, that the description implies a service offering faster delivery of freight than normal, usually on a door-to-door basis at all-inclusive rates.

Recent research suggests that users of domestic freight services increasingly believe overnight/next-day delivery to be the key difference between express and ordinary services. Mr Martin Kenny, general manager for UK-based research company Triangle Trends which has carried out a number of surveys on the express industry, says there has been a noticeable change over the last couple of years in people's perception of express services com-

pared with normal freight transport operations.

Initially, the most commonly perceived difference between the two was that express services were "faster," with "overnight/next-day" the number two description. Now, "overnight/next-day" is perceived as the major difference. That suggests users are becoming more knowledgeable about the express industry and that express companies are getting over the idea of overnight/next-day services, says Mr Kenny.

Certainly, most operators see the next-day delivery market as offering the greatest potential for

growth. One of the fastest-growing companies in the UK domestic parcels market over the last couple of years, Interlink Express, competes solely on overnight services and newsmen Connect UK, which plans to promote in the next few weeks a delivery system based on the use of some 250 independent haulage companies around the UK, also has its eyes set firmly on the next-day market.

Some of the largest express companies have also moved on from simply providing next-day services to offering specific timed delivery options such as before 9am, before 10.30 and before

noon. Federal Express and TNT Express, for instance, already offer around a dozen next-day guaranteed service options ranging from simple next-day delivery through specific times to personal delivery to a named individual.

Among the many other UK parcels operators building up their next-day delivery operations is Securicor Express which is currently expanding its already established next-day before 9am delivery service, Swiftly, to include other times such as before noon, all under the marketing name Night Owl. Similarly, Lynx Express Delivery Net-

work is this year heavily promoting its 10am next-day service. The company claims that 65 per cent of its new traffic over the last nine months has come from the guaranteed services sector. Meanwhile, rail-based express operator Red Star plans to add a before 10.30am service to join its already-established before 9am and before noon deliveries.

The move towards overnight, timed, next-day delivery services, is also increasingly being reflected among the second-tier express operators. A good example is Carryfast which over the last year or so has quite noticeably changed direction to concentrate more on building up overnight delivery traffic. Mr Tony McClellan, Carryfast director, says that 18 months ago the company's overnight business was minimal. Now it makes up to 30 per cent of its traffic.

"We are certainly thinking now about going more towards timed deliveries before 9am, before 10.30 and so on. We already offer a timed delivery before noon and we will be looking to sharpen that up," he adds.

In fact, if recent research is to be believed, the big demand from customers when choosing next-day "express service options" appears to be very much for before noon delivery. Before noon next-day delivery has maintained its position as the most important criterion when selecting a service. Almost equal second are before 9am and same-day deli-

veries but they are quite a long way behind. If anything, the trend towards before noon next-day is hardening as the main criteria, says Mr Kenny of Triangle Trends.

Another marked feature of the UK domestic next-day delivery market over the last few months has been a growing move among private companies to have a crack at the Post Office and the latter's renewed determination to fight back. Among recent notable developments, for example, was the widely-publicised launch of TNT Supamail, a domestic express postal service for business mail which, it says, is going for the Post Office regular by offering guaranteed next morning delivery nationwide. Similarly, British & Commonwealth group parcels company ANC is now in the process of launching ANC Midday Express "which will knock spots of Datapost prices" in offering guaranteed next-day before noon delivery for courier-type traffic up to 10 kilos.

Developing in tandem with the many new next-day delivery services available in the UK are a growing range of same-day operations. Early nationwide same-day services were in the main based on the country's rail network - for example, Red Star's then solely station-to-station operations which also became the base for door-to-door services offered by City Link. Both are still very much in the front rank of same-day operators

offer collection up to midday for delivery before the close of that working day," claims Mr Mike Benser, marketing manager for Red Star. Similarly, City Link now uses domestic air services, including BA shuttles and the regular flights of carriers British Midland and Brymon as well as the railways for its nationwide same-day operations.

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Philip Hastings

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EXPRESS SERVICES 3

Worldwide services

Plenty to go for in Nigeria and Far East



FedEx at Stansted: the carrier foresees hypersonic freighter flights by 2000

THE RECENT dramatic expansion of courier/express operations in North America and Europe has tended to overshadow the substantial growth in other parts of the world.

In the Far East and Australasia, the leading courier/express operators have been seeking to improve their coverage of what they see as the third point in the world's major trading triangle along with the US and Europe.

Helping to reinforce the development of express freight activities in the Far East is the nature of many of the major export traffic. High-technology goods produced in Japan, Hong Kong and Singapore, for example, tend to be both light and valuable, the sort of freight generally most suited to movement by air express services. At the same time, the manufacturing process for such items increasingly involves the assembly of components brought in from a wide variety of sources.

As more producers adopt just-in-time distribution policies - the delivery of goods just when required to save on inventory costs - so demand for express movement of components is continuing to grow. Shippers of other major export traffic from Asia like textiles and clothing are also increasingly using air express services to maintain the tight delivery schedules needed to meet seasonal market requirements or beat quota restrictions in the US.

Initially, much of the thrust into Asia by express companies involved the Pacific arena, ie trade with North America, as major US operators like Emery Worldwide, Federal Express, United Parcel Service and Burlington Air Express built up services using a mix of own aircraft capacity and scheduled airline flights.

In some cases that development has been slowed because express operators had problems getting traffic rights to operate their own aircraft on certain key routes. In that context, Federal Express made a major breakthrough last year when it was given the go-ahead to start DC10 freighter flights between the US and Japan, an operation likely to get under way this year.

Longer term, Federal Express sees the Pacific market as a natural choice for the start of hypersonic freighter flights. According to Mr Frederick Smith, company chairman and chief executive, air freight could be moving between the Far East and North America at speeds of up to Mach 5 by the year 2000. A key factor in his thinking is a US project called the National Aerospace Plane, now dubbed the Orient Express in the belief that it will have par-

ticular potential for use in the Pacific arena.

Meanwhile, the Europe-Asia market is also coming in for much greater attention in terms of courier/express service development. Helping to encourage that trend has been the recent tendency among Far East exporters to try and sell more of their goods in Europe to take advantage of stronger currencies relative to the US dollar. As a result, established international express/courier companies in that market such as DHL, TNT Skypak and IML are now being joined by a number of other operators.

An important competitor in the future could be Express Mail Services (EMS), the new joint venture company set up last November by European and North American postal authorities to co-ordinate their activities in the international express mail market. At the moment, attention is focused on plans to introduce a daily air link between Europe and the US but if that proves a success, similar developments could follow in the Far East where leading post offices are already looking to work together along the lines of the EMS set-up in Europe. Singapore has been mentioned as the most likely hub for such operations.

Competing with Singapore to become the leading Far East courier/express hub is Hong Kong.

which has the still fledgling express market of mainland China on its doorstep. Hong Kong's emergence as a major express hub was highlighted by the recent formation of an industry organisation, the Hong Kong International Courier Association (HICA). Members include DHL, FedEx, HKS Couriers, IBC Pacific, IML and TNT Skypak.

Hong Kong is a major hub for the Asian region because of its geographical location, the frequency of international airline flights in and out of Kai Tak airport and the fact there is less red tape there than at some other airports in the region. "You don't need a customs broker to do clearance work here," says a spokesman for HICA.

Elsewhere in the world, development of courier/express industry services has so far tended to be more limited, although the major operators all claim to offer deliveries to most countries.

Among the more important of the second-tier express markets is the Middle East. Key centres in that region are covered for document/small package traffic but there has been rather less development of other express services catering for heavier traffic, a tendency encouraged by the generally subdued trading activities in that region over the last couple of years.

However, the Middle East still

generates sufficient business to attract some new service development. TNT Skypak, for example, which claims already to offer standard air courier services to all Middle East centres and out-bound from all except Saudi Arabia, is currently introducing worldwide two services that are likely to be of particular interest to that region.

TNT Newstax International will handle the international shipment of newspapers and magazines, using courier line-hand individuals and businesses will be able to subscribe on a three, six or 12 month basis. The service is likely to prove particularly popular with expatriates. Also expected to be popular is TNT Skypak, which will handle the international door-to-door movement of personal effects and excess baggage.

Prominent among the other big names on the Middle East courier scene is DHL, which recently celebrated its 10th anniversary of services in a region where it now has some 65 offices in 15 countries. Main thrust of current marketing efforts is being directed towards attracting larger items than just the documents and small parcels with which it has to date been principally associated and promoting the idea of using air express services as an integral part of companies' distribution systems, not just for

urgent or emergency shipments.

Postal authorities, too, are active in Middle East markets. The UK Post Office offers both its Datapost express door-to-door service and a public facsimile service, Intelpost. In one of the most recent developments, Intelpost was established as the first public facsimile service between the UK and Saudi Arabia, enabling same-day delivery of documents to be made to six major centres in the Kingdom - Riyadh, Jeddah, Dammam, Medina, Mecca and Buraydah.

Another large but often difficult market for courier/express companies to serve is Africa. Some black African centres are poorly served by scheduled airline services, making it hard for the couriers to offer high speed delivery times available in other parts of the world. At the same time, certain African post office organisations appear unhappy about having to compete with fast-growing courier operations and on occasions attempt to put restrictions on them, while other countries continue to harbour suspicions about the whole idea of courier services.

Probably the most advanced black African market when it comes to express service development is Nigeria. Prominent operators include UK courier company IML which operates there as IMNL and now has more than 50 operating units in the country. In terms of services, the organisation claims to offer next-day deliveries from the UK to Lagos and a number of other major Nigerian centres including Kano, Enugu, Ibadan, Kaduna and Port Harcourt. From other parts of the world, services into Nigeria generally offer a two-day delivery, since most of IML's African traffic is routed via the company's London hub operation.

In addition to international services, IMNL has also been developing domestic overnight delivery services within Nigeria. Having initially concentrated on catering for documents and small packages, IMNL last year introduced a heavyweight service offering similar service levels for parcels in the 15-20 kilo range.

Nigeria also features strongly in the operations of DHL, which has more than 40 offices in that country. Like IML, the company claims to offer overnight services from the UK to Nigeria and is also pressing ahead with the development of Nigerian domestic services. Other big African markets for DHL include Kenya, Cameroon and Ivory Coast - altogether, the company claims to serve around 50 African states, with its own companies in some 30 of those.

Philip Hastings

Electronic transmission

Fax: a threat and an opportunity



Nick Nelson, managing director of DHL International (UK)

DEVELOPMENT OF electronic data transmission systems which allow companies to send copies of documents all over the world at the touch of a few buttons is presenting the courier industry with both a threat and an opportunity, writes Philip Hastings.

The threat comes in the form of a likely loss of business as companies which have to date relied on using high-speed courier services to move their documents physically from one location to another, both domestically and internationally, increasingly turn to using even faster electronic transmission of data.

The opportunity for courier operators lies in developing services which combine the use of facsimile-style equipment with their extensive office/agent networks to meet the needs of companies which either do not have electronic data transmission equipment of their own or are working with other organisations which do not.

Very much in the forefront of such development is the UK Post Office which, alongside its well-established Datapost door-to-door courier services, has over the last few years established a firm presence in the field of document transmission through a public facsimile service called Intelpost.

Users have the option of either linking into the Intelpost system electronically by using compatible fax equipment, telex or computer, or handing in material at designated Intelpost post offices for transmission to UK or overseas destinations where documents can be picked up during normal hours or delivered by messenger.

Currently, Intelpost centres are in operation at more than 100 post offices in the UK and some 2,000 in 30 countries overseas in Europe, North and South America, the Middle East, Far East and Australasia.

In one of the more recent developments last year, Intelpost was established as the first public facsimile service between the UK and Saudi Arabia. That link now enables same-day delivery of documents to be made to six major centres in the Kingdom.

Some companies in the private sector of the courier industry are also now pressing ahead with the development of electronic data transmission services, although

service to nine US cities, with cut-off time in the UK for US East Coast cities being 17.00 hours and for the West Coast, 20.00 hours.

One of the major questions still to be answered in respect of electronic transmission services, though, is the extent to which such systems will supersede courier companies' traditional document delivery services. Currently, the general consensus of opinion among couriers is that the two types of operation will continue to run in tandem.

"The electronic document service is positioned alongside our worldwide document express service to allow us to offer overnight deliveries to markets where time change factors would not otherwise allow us to do so. It is not really a competitor to facsimile services," says DHL.

Electronic transmission is seen as an enhancement of existing express services. Research by the company suggests that the courier movement of documents will continue, both for reasons of security and because the size of many documents - average weight of DHL's document consignments is put at around 1.5 kilos - would make the transmission of them a very costly and time-consuming process.

Similar views are voiced by IML Air Couriers, which claims the document market is still growing but showing signs of segmenting slightly. If someone has one or two sheets of information to send, says IML, he may well fax them but if more than a few sheets are involved then he will probably carry on using courier services.

The same point is made by Mr Paul Moorhouse, of TNT Skypak, who says that despite predictions that document traffic would decline over the next few years in the face of mounting competition from electronic data transmission services, Skypak has in fact seen an increase of around 25 per cent in that business worldwide over the last year.

"Even though we are seeing a slight decrease in document traffic from existing customers as they tend to make greater use of facsimile machines, more and more companies around the world are becoming involved in export activities, which means generating additional documenta-

tion," he says.

DEATH, TAXES, AND DHL.

(Few things in this world are as certain.)

EXPRESS SERVICES 4

POSTAL AUTHORITIES around the world have reacted keenly to the growth of private express services. Having sharpened up their own express operations and extended their networks, they now rank as formidable competitors to their private sector rivals.

So rapidly has the business been growing and so cut-throat has been the competition that the main European postal authorities last year formed a joint venture company based in Brussels to handle their international express mail operations. "It was becoming a big business," explains Mr John Payne, who runs the British Post Office's Datapost service.

The postal authorities also felt the need to create an international brand image to underscore the message that they were offering a service with common standards around the world. They now trade under the logo EMS (express mail services), even though each national post office continues to use its own express mail name.

The sharpness of their response is explained by the fact that international express mail is both growing rapidly - up anywhere between 10 and 50 per cent a year depending on various estimates - and becoming more valuable: about half the traffic carried internationally now consists of goods, compared with about 10 per cent a few years ago, Mr Payne reckons.

National post offices have followed a twin-track strategy of expanding their network and improving their delivery speeds.

The British Post Office, which claims to be second internationally after DHL, entered the 1980s with some 19 countries on its express network. The figure now stands at 114, with 20 added in the last year, including breakthroughs in the Eastern bloc, through agreements clinched with the Soviet Union, Czechoslovakia and Romania.

Last year, too, the Post Office introduced same day delivery to Paris, Amsterdam and Dublin for items posted in London before 10.30am. Next day delivery is now standard to many parts of the Continent and the US.

In its overall express strategy, both international and domestic, the UK Post Office has tried to fashion a range of offerings for the different market niches - a "family of services," as Mr John Bintliff, who heads the corporation's parcels operation, puts it. Within the UK, the Post Office now has three main services other than its basic letter operation.

Datapost, which delivers to 65 per cent of potential addresses by 10am the next working day, with a standard charge of £11.40

**Post Office
Fast-movers
stay ahead**



Datapost: an all-out drive for speed

for a letter.

Mr Payne sees Datapost, which he claims to be second in the domestic market behind Securicor, as competing primarily on its reliability, as customers have increasingly demanded next day delivery even for items posted after working hours. "Back in the early 1980s, we and our competitors had a cut-off time of mid-afternoon. That will no longer do."

The all-out drive for speed has entailed heavy investment in vehicles, computers, handling equipment, and an increasingly dedicated Datapost network, building on six Datapost air routes and with a total of 17 Datapost handling centres scheduled for operation by the summer.

Datapost has also been busy devising new offerings to keep its customers loyal. One such is a Lloyd's-backed scheme whereby, on top of getting their money back, customers are compensated for consequential loss up to £10,000 per item if Datapost fails to meet its delivery targets. Mr Payne says the scheme is rarely

invoked. "It's the sort of guarantee that a weak service would not be able to afford."

SuperService, a premium parcel service launched by the Post Office last month, which Mr Bintliff says will fill a gap between the standard parcels service and Datapost identified by the corporation's extensive market research.

Datapost is itself used increasingly for parcels, with about half the items carried now being goods rather than letters, but the Post Office pinpointed the need for a premium service cheaper than Datapost, but quicker than ordinary parcels.

SuperService offers 48-hour guaranteed delivery to 95 per cent of UK business addresses. The others, mainly in the North of Scotland, get a three-day guaranteed delivery.

It also provides a free detailed weekly service report showing what happens to each consignment; free insurance for damage of up to £1,000 for each parcel and £1m for each consignment; free confirmation of delivery. The

standard charge is £7 a consignment, plus 10p-15p a kilo, but customers can negotiate individual rates, depending on the amount of their business.

The Post Office is investing £30m on the new service, which is due to become fully operational next month. SuperService has 1,000 lorries, 10 parcel hubs and 70 satellite depots dedicated to it. It is restricted to customers likely to spend more than £10,000 a year on the service, though Mr Bintliff says the cut-off point may be lowered later.

Standard Service. Below SuperService is the Post Office's basic parcels operations, which handles 200m items a year, 95 per cent generated by business. But even here the corporation has introduced innovations in a bid to beat off its competitors.

Last September, the Post Office offered a guarantee to its largest customers: they could have their money back if their parcels were not delivered within five working days.

This guarantee was supplemented by a flexible arrangement under which the corporation's largest customers could negotiate their own contracts with tariffs tailored to their particular circumstances. In addition, large customers are rewarded for exceptional growth in traffic by rebates.

The point of all these schemes is to keep the Post Office ahead in the parcels business. It claims that its share of the business parcels market, now standing at about 29 per cent, has been growing after a period of decline in the 1970s. However, a number of private competitors, with market shares in the region of 20 per cent, are snapping at its heels.

The Post Office is still not sure that its range of offerings is complete. It is considering introducing a new service, possibly from next year, pitched between Datapost and SuperService. It will guarantee next day delivery, but not before 10am.

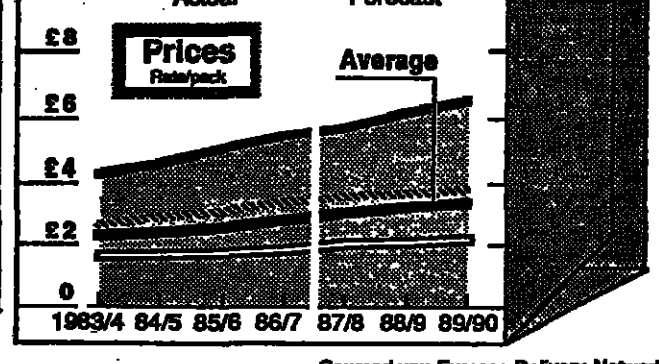
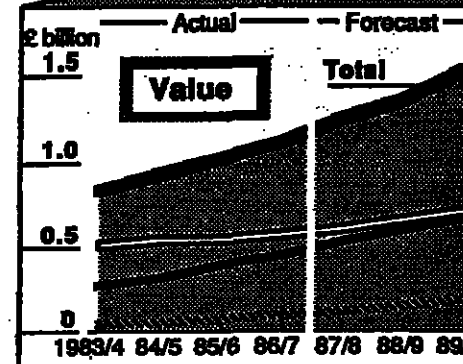
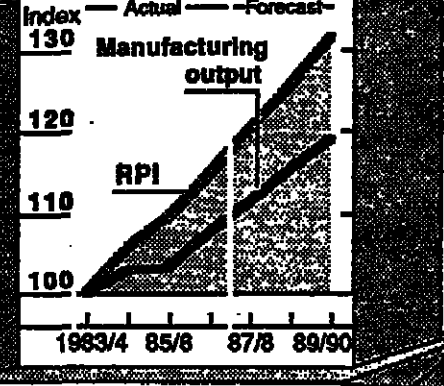
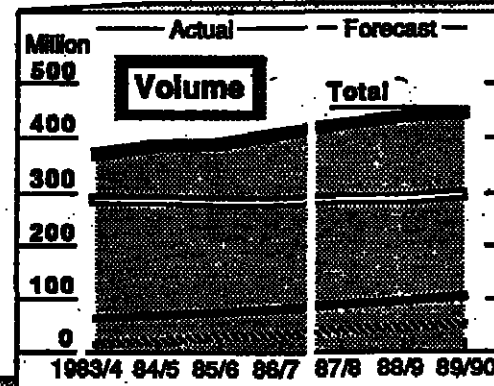
Both Datapost and parcels now form part of a business which has been separated from the rest of the Post Office after a management re-organisation over the past 18 months. Senior managers like Mr Bintliff and Mr Payne measure their performance more against their competitors in the private sector than against their colleagues in the letter service, which is still underpinned by a monopoly.

This may go some way to explain the dynamism shown by this wing of the huge Post Office organisation, which is not often perceived by the public as fast on its feet.

David Thomas

Parcel market growth

Next day
2/3 day (guaranteed)
Unguaranteed



Sources: Lynx Express Delivery Network

Reliability, rather than speed, may meet many customers' needs

Getting there, a bit more slowly, could fit the bill

THE MAIN thrust of express service developments to date, centred within the UK and intra-European markets, has centred on overnight operations offering next-day delivery. However, some operators and many of their customers believe there is also a place in both markets for guaranteed service at a lower rate.

Other shipping managers suggest that they often face pressure to use overnight delivery services, perhaps from their own sales and marketing departments, when in fact a two/three-day service might suffice. Commenting on that argument, a spokesman for one leading express company said, if that were so, it would be a good sign for British industry because it showed that marketing departments were not going to be satisfied with the second-best. The marketing man

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Both the next-day and two/three-day sectors are highly fragmented with large numbers of customers comprising small average volumes of packages - 75 and 70 per annum respectively. This contrasts markedly with the unguaranteed sectors which have a much higher average volume of 368 packages per customer per annum. Looking ahead, the Lynx research forecasts particular increases in the next-day sector in value terms and the guaranteed two/three-day sector on volumes.

Commenting on the subject of express service transit times from the user's point of view, Mr Jack Welsh, director of the British Shippers' Council, told an express industry conference last year that the important factors for customers were reliability of services and information. Consignors/consignees needed to be advised immediately if a consignment was not going to be delivered or would be late.

With many shippers, this was more important than actual speed of delivery for, given reasonable notice, the customer had time to implement a contingency plan. Same-day/next-day delivery was not widely necessary - most shippers seemed to be happy with two or three-day delivery for most parcels traffic - subject, again, to reliability and information supply, plus cost, he said.

The profitable growth area in terms of freight services, suggested Mr Welsh, was in the assembly of transport resources

to form an effective and efficient intermodal door-to-door product which could be tailored to shippers at an all-in price. The generators of very large volumes of low value packages were interested in simple, reasonably priced three-day delivery services.

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UK and key continental markets, last autumn took a step in the other direction by launching a new second-tier intra-European express service called Elan Plus One. This road-based service has an extra day added on to the transit time.

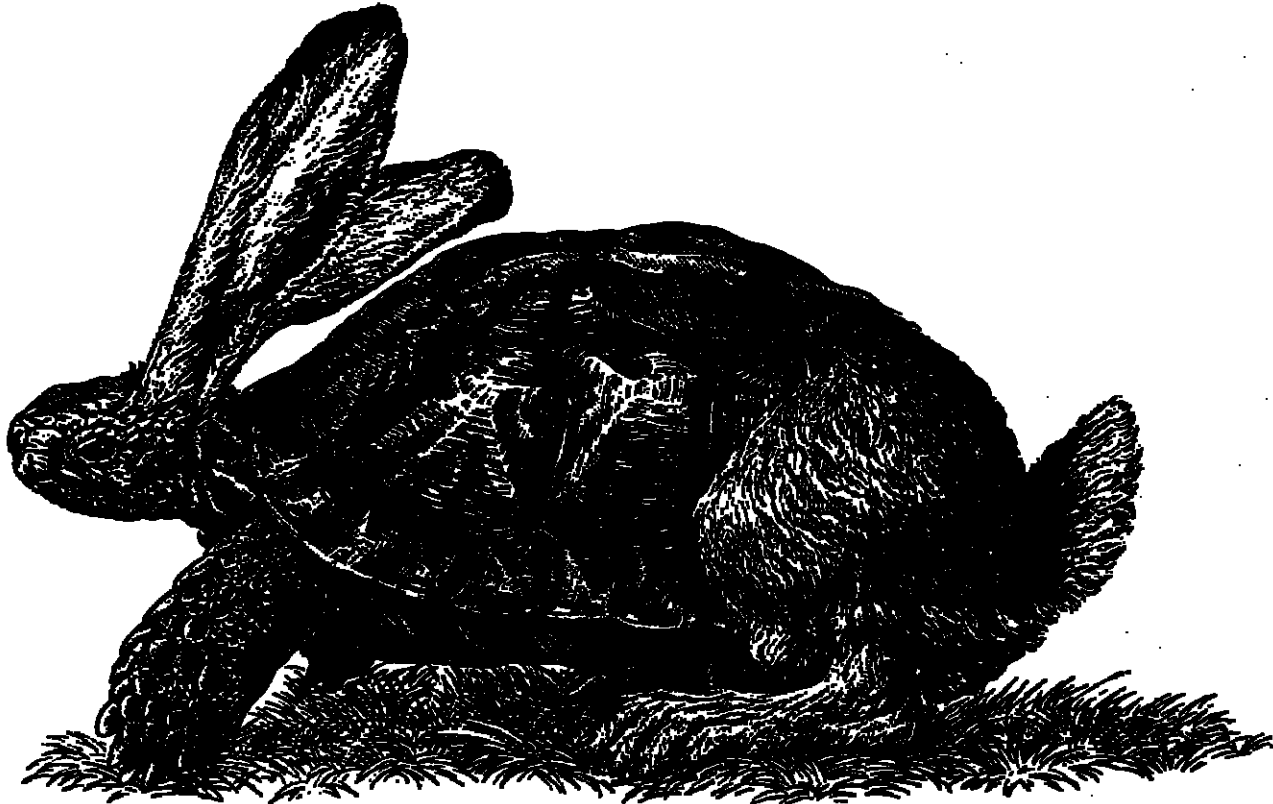
A key selling point, according to Mr Tony Harris, the company's managing director, is that Elan Plus One rates are on average 20-30 per cent below those for the standard overnight delivery service.

Asked if the new service represents a change of heart by Elan, which to date has always heavily promoted the concept of overnight deliveries in Europe, Mr Harris says that having established tremendous growth in the next-day sector, the company now wants to offer more flexibility to customers.

"We have to date had very specific service standards which offer great benefits in terms of reliability, but we do not want our customers to think we are inflexible. With the new service, we are particularly looking to attract customers who might already be using Elan for their overnight delivery requirements and someone else for the remainder of their traffic," he adds.

Philip Hastings

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EXPRESS SERVICES 5

Instead of sending mail by postal services or by carrier, one can now get the best of both

There's a scent of victory in the remail revolution

ONE OF the fastest-growing areas of courier industry activity at present is the business of remail, an operation which involves collecting international mail from customers and consolidating it for onward movement to its country of destination.

In some cases, remail operators transport consignments in bulk to countries like Belgium and the Netherlands which are known to have efficient overseas post operations and then put their mail traffic into that system for onward movement to final destination. In other instances, operators despatch traffic, usually by air, to regional centres around the world from where it is put into the nearest local postal authority system for final delivery to consignees.

Not surprisingly, the subject of remail has provoked considerable controversy since the idea was first mooted, particularly in North America where the United States Postal Service (USPS) fiercely contested the right of private companies to get involved with international mail traffic. However, the USPS finally had to accept in 1986 the legality of foreign remail services outside the US when various US authorities refused to sanction any regulations to curb such developments. Mr Edwin Meese, US Attorney-General, told the US Postmaster-General that there was significant public benefits from allowing private sector competition in the provision of international postal services.

The acceptance by US authorities that private sector companies should be allowed to develop international remail services opened up the way for rapid growth of the industry worldwide.

In the UK, private sector remail operations were given a major boost at the end of last year when disruption of postal services and a threatened national strike by post office workers caused many businesses urgently to examine alternative mail systems. Sensing that even if the strike was averted at the last minute, as in fact happened, the build-up to it would have already undermined business user confidence in UK post office services, private sector courier, express parcel and remail companies stepped up their push to win more mail traffic on a permanent basis.

Meanwhile, aware of the growing challenge from private remailers, post office authorities around the world have been urgently looking at ways to hold on to what is in many cases the cream of the international mail business - large volume, first class traffic. The UK Post Office, for instance, has introduced its own remail-type services catering for both letter mail and printed matter. A service called Airstream has been developed for companies sending regular quantities of letter mail to Europe and the rest of the world. That was followed up last year by the introduction of Airstream Print, a worldwide service for business customers sending printed items abroad.

According to the Post Office, Airstream services offer big users substantial savings on ordinary airmail rates. Rates are based on a price per kilo and eliminate the need for customers to weigh and price individual items of mail.

Almost inevitably, there have been claims by private remailers that certain postal authorities have resorted to dirty tricks to slow up their new competition, for instance by delaying sacks of private mail or sending it on by surface mail rather than by air. Some postal authorities are also said to have been looking at means of introducing surcharges on private operators' remail.

"The situation in regard to post offices holding up remail traffic seems to have improved over the last few months but I don't know whether that is the hill before the storm or not. There has been talk going on among post offices about the possibility of surcharging remail," says an executive with one of the remail operators.

Probably the most advanced of the remail systems being developed by private courier companies is TNT Skypak's Mailfast operation. Described as a free enterprise overseas postal system, it caters for international commercial mail and claims to offer transit times as fast or faster than those of national post offices at lower rates by routing them through some 40 company remail centres all over the world. Services involve TNT collecting and consolidating commercial mail for bagging and onward movement via a courier operation to the remail centre nearest the point of destination. Mail is then generally put into the local postal system for final delivery



DHL packages being loaded aboard their helicopter on the south bank of the Thames

although in key commercial districts attracting regular heavy traffic, more and more deliveries are being made by hand.

All the customer has to do is sort mail into three or four worldwide zones, weigh the total material for each zone, count the

number of items in each zone and complete one consignment note showing the consignment details. The mail is then collected by a TNT vehicle and taken to the local Mailfast office where it is sorted by destination country, says Mr Paul Moorhouse, the

general manager.

According to Mr Moorhouse, Mailfast traffic handled worldwide during 1987 jumped from around 35 tonnes a week at the beginning of the year to nearly 135 by December, with the latter representing some 5m envelopes.

Rival courier/air express organisation DHL has responded to the remail boom with the development of an operation called Worldmail which caters for both overseas mail and printed matter. According to DHL, the customer completes just one Worldmail airbill for an entire mailing and then books a collection from a local DHL office. No counting or franking is necessary, all the customer has to do is sort the mail into either Europe or Rest of the World categories.

DHL says the rate structure is based purely on the weight of the total mailing to either of those geographical sectors, so the customer is able to calculate the cost of mailing in advance. No prepayment is necessary. Instead, DHL invoices the customer after the service has been used. Any mail which cannot be delivered due to an incorrect address or the consignee having moved is returned to the sender free of charge, helping customers to update their mailing lists more easily.

Another leading courier, UK-based IML, has opted for a slightly different approach to the remail market, with traffic still being routed through postal systems for most of the international line haul sectors. Having initially ventured into the business in 1986 with a low-key service called IML Remail, the com-

pany relaunched a more substantially resourced operation last year under the name IML Post Handling System.

Currently, the service is being operated out of the UK to worldwide destinations covered by the IML network. IML collects bulk overseas mail from customers and then in effect consolidates it for feeding into the Post Office system. "We are able to pass on to the customer the benefit of our bulk purchasing power with the Post Office and save him time and costs in terms of his own mail room preparation," IML says. "We have picked up some good blue chip clients, particularly in the City of London."

London is also very much the principal market for Ashford-based Deltac International Couriers, a private remail company set up just over two years ago. According to Mrs Diane Larsen, its general manager, the company is currently picking up around seven tonnes of remail traffic a week out of London. Deltac also has an office in Manchester and is planning to open up in Birmingham and other UK centres.

"We run collections in London, with the latest pick-ups being around 8.00 or 8.30 in the evening. Traffic is brought to our base at Ashford, processed and bagged and then transported on one of

our own vehicles to Brussels where it is fed into the Belgian Post Office for onward delivery to final destination," she says. "Around 55 per cent of our traffic is for Europe, 30 per cent for the Americas and Asia, and the rest for the Middle East and Australasia."

Adding to the increasing competition for remail business in the London area is a newcomer to the UK scene this year, a Belgian-based company called Remail. Having achieved a turnover of £1.5m in 1987, the company is starting its move into the UK market with an operation serving businesses within the area encompassed by the M25 London orbital motorway but intends to expand geographical coverage fairly rapidly over the next couple of years.

Remail plans to route its premium UK remail traffic via Copenhagen, using flights and sorting operations run by Scandinavian Airlines System. The Denmark operation, it claims, offers good rates, good flight schedules and fast transshipment times. Other remail traffic such as surface mail and printed matter will be consolidated by Remail to take advantage of bulk postal rates and then generally put into the UK Post Office for onward movement.

Philip Hastings

Air cargo

The forwarders may be left behind

AT THE last count, there were over 200 International Air Transport Association air freight forwarders in the UK, battling for survival in an increasingly competitive industry that often shows returns of less than 5 per cent net profit on sales.

While many of these companies offer a range of freight forwarding services on a multimodal basis, air cargo is a major part of their activities. On the air freight front, the prime forwarding involvement is with consolidation through which the forwarders can make their highest profit.

It would be an understatement to say that marketing has never been freight forwarding's strongest point. Few companies have seen the need to market their considerable range of services and abilities. Moreover, they have persisted in confusing customers by operating to a highly complex charging system so that customers never knew quite what they were getting by way of service or total cost. And so, although the air freight forwarders always had the ability to offer a door-to-door service, the door was also left open for the integrated operators to market professionally their "new" services to forwarders' customers.

Despite the forwarders' inherent flexibility to add value to his basic product to increase profit, only a few European freight forwarders have demonstrated any positive reaction to the air express operators and their new door-to-door services in Europe. Indeed, the reaction has rather been one of "if you can't beat them, pretend they don't exist."

Leading the field with its early reaction to control its own transport and become an integrated operator was Emery, the international airfreight forwarder. Emery now operates its own fleet within the US and, across the Atlantic, Emery's DC8 freighter feeds into European hubs at Maastricht and Manchester which in turn support a European trucking fleet and a number of light aircraft used for the intra-European express service.

One of the leading air freight forwarders, Pandair became an express operator in 1981. Recently sold by Pakhoad in Holland to AEL, the large US airfreight forwarding company, Pandair now operates nightly freighters between the UK and Continent in conjunction with British Midland. Called Pandalink, the door-to-door express service now embraces 14 European countries with four aircraft operating nightly between the UK, Belgium, Germany and Italy.

Putting its eggs in more than one basket is Atlasair, which four years ago achieved a management buyout from Atlas Group. While continuing as an air freight forwarder, Atlasair has pinned its colours to the future of the air express door-to-door industry by forming a company which has an exclusive UK service partnership with United Parcel Service, the US company.

Mercury - always among the front-runners in UK air freight - lent early support to the British Airways Speedbird Express door-to-door service, although the forwarder marketed the product under its own Quicksilver brand name. On April 1 Mercury is relaunching Quicksilver Express together with British Airways and Lufthansa. Operating to guaranteed times (24 hours to Germany) for shipments of any weight, Quicksilver Express can be used as a door-to-door service or as an airport-to-door service.

Mr Graham Black, Mercury's marketing director, says that the company is looking for fast clearance and transfer times from its airline partners. "Unlike Lufthansa, which has a dedicated service ramp and personnel handling these shipments, many airlines cannot meet our prescribed, Quicksilver time-scales," he says. From Scandinavia and Germany, Quicksilver Express will expand throughout Europe, to Australia, the US and South Africa.

Among the longest-established of the UK freight forwarders, Lep has also entered the door-to-door express market with Lep Racer and Lep Sprinter. As a timed, door-to-door service with money back guarantee, Racer is available for unlimited weights throughout the UK to Belgium and Germany. European-wide expansion is planned for both exports and imports. Lep Sprinter is an international door-to-door service for shipments up to 100 kilos which receive priority collection, guaranteed booking on a same day or next morning flight and fast clearance and delivery.

While all the air freight forwarding door-to-door express services are geared to take on the integrated operators, many compete more successfully on delivery times and price at higher weight levels which the integrated operator systems are not geared to handle. In general, the UK forwarders are concentrating their express energies on the buoyant European market where the growth potential is high and where, unlike the "new wave" US air express companies, they have well-established networks and market knowledge.

Anne Hunter



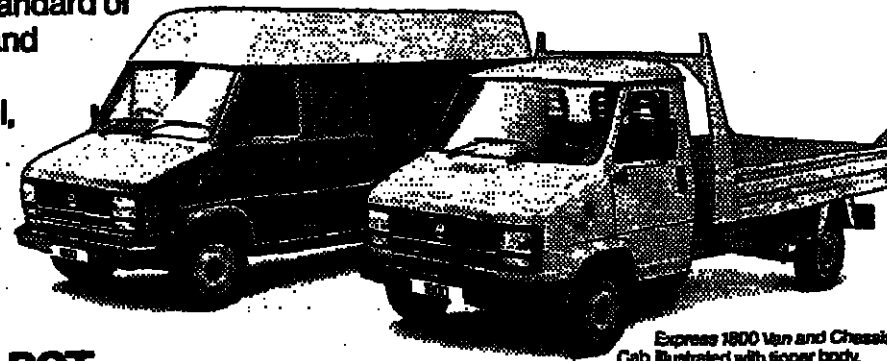
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EXPRESS SERVICES 6

Why airlines are losing out to the integrated operators

Sky-high attractions of the door-to-door service

DOOR-TO-DOOR air express services, the fastest growing sector of the international air cargo market, are significantly eroding the profits that scheduled airlines had previously derived from premium-rated, small, direct shipments.

In the past decade - since Jimmy Carter made his mark in aviation history by deregulating air cargo in the US - the integrated operators have developed and expanded services. Using their US domestic experience as a springboard, they have now marched on Europe.

The Continent's traditional air freight industry was ill-prepared for the onslaught. Most of the airlines and forwarders are only now beginning to flex saggy cargo muscles in belated efforts to keep a grip on their "small" - the premium air cargo market.

The carriage of cargo increasingly means the difference between profit and loss for many European airlines. Today, air cargo accounts for 26 per cent of Lufthansa's total revenue, while the KLM figure is similar.

The total world air cargo market, including express and courier traffic, is estimated at around \$18bn and could rise to \$26bn by 1995. According to Emery Airfreight, door-to-door air express will account for \$40bn - or 71.4 per cent of that market - in 1995. Lufthansa forecasts a 4 to 6 per cent growth for air freight - higher than passenger traffic growth forecasts. Other sources suggest that in Europe, the air express market is growing at a rate of 50 per cent a year and high growth levels are expected for several years to come.

As more European manufactur-

ing companies emulate their Japanese and US counterparts by changing their distribution systems and adapting to the logistical advantage of just-in-time production techniques, they are increasingly attracted to door-to-door air express services.

Mr Peter Davies, general manager of XP Express Parcel System in the UK, claims that up to 60 per cent of his company's UK traffic comes from companies which once used air freight via their forwarders. "In a few years as much as 80 per cent of all overnight shipments could come from this sector. We have our sights set on taking a lot more business from forwarders in the coming years," he warns.

Looking at the UK market, Mr Tony Keating, managing director of Atlasair, a leading UK air freight forwarding company and UK service partner to UPS, estimates that 50 per cent of all air freight shipments up to 25-kilo weight could transfer to door-to-door services and possibly another 30 per cent of air freight shipments between 25-100 kilos.

"I see no way that traditional air freight can stop this transfer because it is far more economical to handle this traffic through the massive integrated systems that companies such as UPS and FedEx have established in the US and now in Europe. In the courier and parcels sector there are huge economies of scale when handling large volumes of small shipments. The productivity of these operators' fleets and systems - capable of handling more than 100,000 parcels an hour at a few pence per parcel - is beyond the reach of most forwarders," argues Mr Keating.

Research shows that today's exporter wants a door-to-door service with a comprehensive rate, and that reliability and predictability matter even more than speed. He likes the simplicity of the door-to-door, single-rated, guaranteed service which air freight, to date, has generally been unable to provide.

Traditionally, air cargo has moved through an air freight forwarder to an airline on airport-to-airport basis with additional charges for collection and delivery. With complex documentation, mystifying charges, inefficient ground handling, unsophisticated communications and information systems and lengthy customs clearance procedures, air cargo has consistently spent more time on the ground than in the air.

Among the European carriers working to overcome these problems in their efforts to compete more effectively with the integrated operators are British Airways, Lufthansa, KLM, Aer Lingus, SAS and, to a lesser degree, Sabena, Alitalia and Air France.

British Airways has launched a wholesale courier service on a number of scheduled services. In December, the airline opened a courier services unit to speed freight through Terminal Four at Heathrow and in the same month the new unit processed 7,000 courier bags. BA's new Express Services Building, next door, is offer-

ing 45-minute acceptance and clearance for premium express shipments. "This unit is now generating 30 per cent of our total Cargo Centre revenue on 1 per cent of the total volume handled," says Mr Bridges. Not surprisingly, British Airways sees its primary role as keeping this high yield traffic.

Mr John Hartnett, Aer Lingus cargo manager, readily admits that the airline's high yield mini-shipment traffic has been declining. Aer Lingus is now out to reverse that trend by launching Aersecuro - a joint door-to-door service with Securicor based on the latter's wide UK and European express ground distribution network and the Aer Lingus scheduled freighters and cross-Europe passenger flights and belly capacity. Offering a range of timed, door-to-door services, Aersecuro hopes to attract both direct shipper and forwarder support with a 10 per cent incentive or commission for forwarders.

Always a leader in air freight innovation, KLM last year launched Doorspeed as an airport-to-door, door-to-airport or door-to-door service with guaranteed delivery times. Currently running from the US into Europe and intra-Europe, Doorspeed is

being gradually expanded to operate eastbound to the US and on other long-haul routes. Working in conjunction with KLM in Europe on the service is XP Express Parcel, the KLM wholly-owned subsidiary. The Dutch airline also has a shareholding in the UK courier company IML and in February it bought a minor stake in the European trucking and distribution company, Frans Maas Beheer.

For years, IATA air freight services have been hobbled in a plethora of anachronistic regulations such as the Commodity Rates covering everything including the kitchen sink. On April 1 KLM, with a number of other European airlines, will introduce a simple European air freight tariff, which will "substantially decrease the cost of air freight for smaller shipments." KLM says that through the new tariff it hopes "to satisfy shipping clients' long-standing desire for a clear, simple tariff structure on a number of European routes. Prices can now be clearly agreed on together with the shipping agent's freight forwarder, for a complete door-to-door product."

More than anything else, the arrival of the new wave of door-to-door competition has highlighted the changing relationship between IATA airlines and the agents. Few agents today could genuinely claim to be the "agent" of the airline and others like Emery have chosen to compete head on with airlines by operating their own aircraft.

While some airlines say they will work more closely with the freight forwarders to offer joint competitive services, others like Aer Lingus, while encouraging forwarders to participate in their new service, also admit they cannot ignore direct shipper contact as "if we don't go after that business then the integrated operators certainly will."

SAS has also followed this line with the launch of Air de Cologne, the fledgling SAS company which now operates the airline's DC9 freighters in Europe with an overnight door-to-door service linking Europe through its hub in Cologne. Leaving A de C to provide services to both shippers and forwarders, SAS meanwhile has its own passenger aircraft belly capacity Priority Express service, which it markets exclusively to freight forwarders.

Market research indicates that there is room for a far wider range of door-to-door air freight services than currently exist. The opportunity is there. To progress further now to develop and market joint services there is an obvious need for trust and co-operation between interested parties in the scheduled airline and air freight forwarding fraternity.

Anne Hunter

The Emery saga

There is life after debt

AFTER TWO consecutive loss-making years, speculation surrounds the future of America's oldest air freight forwarding company - Emery Airfreight, pioneer of international integrated air express services.

Last year Emery baffled industry experts by its purchase of Puroator Courier Corporation, a \$300m acquisition which increased Emery's debt to \$400m and sent stock values plummeting to leave the company vulnerably undervalued.

Formed in 1946, Emery was the brainchild of John Emery Sr who, after the war, saw many of his former military colleagues establish their own cargo companies. He developed an alternative concept - the air freight forwarder, which he designed as responsible for all the ground logistics of arranging air transportation, using the services of any available aircraft operator and providing the systems necessary to track their movements.

In 1948, the CAB, which regulated the US air industry, issued its first Indirect Air Carrier Certificate to the fledgling company. By 1955 Emery was listed on the American Stock Exchange and this was followed by listings on the New York Stock Exchange in 1962 and on the Pacific Exchange in 1965.

From its US-wide development, Emery opened its first international office in London in 1956. In the early 1960s the company introduced what was considered to be the first computerised shipment tracking system, Emcon. By the 1960s Emery was established as a major US domestic and international air freight forwarder and among the largest airline customers, buying capacity for shipments and consolidations moving all round the world.

Strategic planning in the early 1970s saw Emery begin to control its own aircraft for the first time with the introduction of charter services on its US domestic system. By this time, Emery was under the control of John Emery Jr, who retired as chief executive officer and Emery chairman at the beginning of this year.

In 1981, five years after US aviation deregulation Emery made its most controversial move when it switched from being an air freight forwarder to an integrated operator. With a \$130m bank loan, Emery changed the face of air freight forwarding history by establishing a new "superhub" at Dayton, Ohio to support a newly purchased fleet of 24 B727 cargo aircraft for its US domestic operation.

The move to control its own aircraft in the US came in the wake of US deregulation when, with heavy dependence on scheduled airline capacity and service, Emery struggled for increased co-operation from the airlines in its efforts to maintain flexibility. As John Emery Jr put it: "We were often at the mercy of airlines whose flights we were using for our aircraft. We were only as good as the airline service was - and sometimes that simply wasn't good enough."

Very soon, Emery's domestic "problems" with the airlines became an international one and so it was that in 1985, John Emery led the company out into the cold and competitive North Atlantic with the launch of its DCB freighter service to Europe. Pipping Federal Express to the European post, Emery became the only integrated operator to offer UK and European exporters and importers, air freight door-to-door services for shipments of any size, any weight and any value to and from 66,000 communities in the US.

Today, with a fleet of 90 cargo aircraft operating throughout the US and across the Atlantic, Emery remains unique. Unlike its express competitors, such as Federal Express, the Emery system permits total flexibility to provide for shipments of any weight via traditional air freight or air express door-to-door, between 24 and 48 hours.

The company now has two major European hubs at Maastricht Airport in Holland and at Manchester in the UK, both of which are served by the DC8

freighter six nights a week. Throughout Europe, small aircraft, such as the B737, are used as freight feeders. On charter from local airlines, these operate into Maastricht and are supported by a palletised trucking fleet which serve centres close by the hub. All services operate between European centres, as well as internationally.

For the airlines, Emery is neither fish nor fowl. As an operator, the company obviously competes with certain carriers, some of which refuse to carry Emery traffic except for premium rates while other airlines continue to supplement their own aircraft with the use of scheduled airline capacity on many routes around the world.

Over the past few years, Emery has successfully developed its international business although since 1982, it has faced fierce competition in the US domestic market - particularly at the air express overnight "lightweight" end. There, Emery has been running third behind FedEx and UPS with Puroator in the rear.

In 1986, Emery's US domestic operation was hard hit with a loss of some \$32m while the company's international operation remained in the black to the tune of \$18m. By the end of the first quarter 1987, Emery results indicated a positive return to profitability at which point the company made what was considered by some an ill-advised move to increase its market share in the US letter and parcels overnight market through the acquisition of Puroator.

Emery's acquisition cost was \$348m although the company anticipates that after the completion and following the assumption of Puroator's long-term debt, the net investment will be between \$156m and \$190m.

Although Emery plans to operate Puroator as a separate subsidiary for an indefinite period, many of the fleet operations are currently being run together. However, as operational problems will inevitably result from the merger of the two systems, earnings are likely to remain diluted until at least the end of this financial year, analysts predict that "profits will remain under pressure until the company is able to pay down approximately \$150m in debt associated with the acquisition."

Emery says that its restructuring programme is proceeding on schedule following its "careful development with the assistance of our financial advisers, Wolfensohn & Co." In the long term, Emery expects to realise savings of \$42m pre-tax from the combination of its own "low cost air system and Puroator's low cost line haul operation."

While the merger's smooth progress would have done a lot to restore Emery's US stock market image, the hiring and firing game of musical chairs that has been played out over the past year at the Emery executive management level has done little to allay fears for the company's future. John Emery Jr's departure as chief executive officer and chairman in January 1988 was a year or two premature and has been interpreted as a strong indication of a divided management camp.

Emery shareholders are currently being courted by a former Federal Express president, Mr Art Bass, in his attempt to get support for an Emery turnaround plan which includes proposals for significant and widespread changes among the executive management. This plan has the firm approval and support of Towers Financial, the investment company which recently caused a flurry of interest with its investment of \$1.1m in Emery stock.

Struggling hard to meet its projected return to profitability by the second half of 1988, Emery's recent results show significant shipment volume increases in a market where rates have been gradually hardening. This is a timely response for lurking predators to see that there is plenty of life in the old dog yet.

Anne Hunter

RECENTLY, THE TIMES CHALLENGED

TWELVE UK COURIERS TO DELIVER A PACKAGE

FROM ONE END OF THE COUNTRY

TO THE OTHER OVERNIGHT.

ONLY DATAPOST ACHIEVED IT.

Recently The Times ran an article testing the relative merits of the UK's top courier services.

The task. To deliver a 2lb package from Hurstpierpoint, Sussex, to Talmine, northern Scotland. Overnight.

Of the twelve they called, nine declined.

Including DHL. Apparently some mountains are too high after all.

Federal Express. They absolutely, positively refuse to handle packages for private individuals.

And Securicor. No ifs, buts or maybes from them.

They definitely weren't going.

And what of the three who went? TNT. Red Star. And Datapost.

For their pains, TNT charged a colossal £25. And arrived a colossal 51 hours late. Red Star, on the other hand, charged a mere £18.40. And were merely a day late.

And Datapost? For the princely sum of £13.90, we said we'd be there by midday, next day.

Admittedly, delivery at 5.30pm was a bit wide of the mark.

But we did deliver it the next day. The only courier to do so. And a full 20 hours ahead of our nearest rival. So if your business needs the fastest express courier around, ask yourself this.

Who can you really depend on?

Datapost

EXPRESS SERVICES 7



Mr John Hartnett (left), Aer Lingus cargo manager and AerSecuritor director, with Mr Robert Andrews, director and general manager of AerSecuritor

Securitor

Venture with Aer Lingus

ONE OF the top three UK parcels delivery companies, Securitor has to date generally kept a much lower profile than most of its major competitors in an industry where marketing hype tends to run rampant.

That caution and a certain ambivalence towards publicity result in part from the fact that the company's first involvement with parcels-carrying operations came through working for clearing banks, carrying items other than the cash and valuables handled by Securitor's security services. Securitor still visits over 4,000 UK bank branches twice each night to collect and deliver their urgent paperwork but also now works extensively for other industries.

In fact, despite the relatively low profile, Securitor has built up its parcels business marketised under the name Securitor Express to produce an annual turnover for the financial year to the end of September 1987 of £126m, with around £145m being projected for the current year.

To achieve that growth, Securitor is this year looking substantially to sharpen its attack on both the UK domestic and European markets through a number of operational and marketing developments.

Latest developments in the UK, for example, include revamping next-day delivery operations under the marketing identity Night Owl. That will take in Securitor's already-established Swiftly premium service which provides next-day before 9.00 delivery nationwide, a before-noon service and a general next-day service, all catering for parcels up to 25 kilos or four cubic feet.

Already accounting for around 75-80 per cent of Securitor's parcels revenue, overnight business is still seen as the area of largest potential growth. Securitor's other UK domestic parcels activities include a two-three day delivery service for parcels up to 50 kilos and its Pony Express immediate response courier operation.

Unlike many of its major competitors, Securitor has opted not to develop a major UK hub and spoke operation involving the use of one major parcels sorting centre. Instead, the company relies on overnight road trucking to link 12 principal UK hubs. Mr Henry McKay, Securitor managing director, says: "The size of our business would negate a hub and spoke operation. We would have a time window problem when it came to sorting all the parcels in time."

Last month Securitor announced it had got together with Irish national airline Aer Lingus to set up a joint venture company called AerSecuritor to develop intra-European door-to-door express parcel operations.

Securitor has operated express parcel services between the UK and the Continent for some years, using its own 5.5 tonne capacity Dart Herald freighter aircraft to fly parcels overnight between Ireland, the UK and the Continent. However, by tying up with Aer Lingus, Securitor believes it will be able to develop better air links in Europe without the need to invest heavily in its own aircraft capacity. The plan is to continue the nightly Dart Herald operation, which is routed Dublin-Birmingham-Brussels, and overlay Aer Lingus freighter aircraft and passenger aircraft capacity on that basic structure.

Particularly significant in the latter context is the fact that in addition to its coverage of 19 continental points out of Dublin (including Boeing 737 freighter flights to Frankfurt, Brussels and Paris), Aer Lingus has just been given fifth freedom traffic rights - enabling the airline to operate between two countries that do not include the home base - for daily flights out of Manchester to four continental points: Amsterdam, Copenhagen, Hamburg and Milan, plus daily services

between Birmingham and Brussels, from the end of this month. With increasing liberalisation of the European airline industry as a whole, Aer Lingus hopes to get more such fifth freedom rights.

Owned 50-50 by the two partners, AerSecuritor is capitalised at £500,000 and will be looking to achieve a turnover of £150m in its first year of operation.

"There are plans for expanding into inter-continental markets," says Mr Robert Andrews, director and general manager for AerSecuritor. "Exactly when will depend on the pace of development in Europe but I would hope in the not-too-distant future to be able to talk more positively about that."

Initially, though, the emphasis will be on operating intra-European parcels services, based mainly on products already developed by Securitor Express. They include Swiftly, an overnight service for small non-durable packages and documents; Express, a next-day service for parcels up to 50 kilos; and Standard, a 48-72 hour delivery service for parcels up to 50 kilos and total consignments up to 500 kilos.

In addition, AerSecuritor will offer Aertrak, a same-day delivery service operated between addresses in County Dublin, Republic of Ireland and Greater London, plus an intra-European airport-to-door service for forwarders.

To further boost the door-to-door European delivery services, Securitor is also currently strengthening its collection/delivery arrangements in some continental markets by setting up franchise arrangements to support already-established Securitor operations in the Benelux countries, France and West Germany. That move began a few months ago when Clemant, a company based at Lille Airport, was appointed to handle collection/delivery activities in parts of northern France not covered directly by Securitor itself.

Further continental franchise agreements are likely, says Mrs Linda Shoppee, Securitor marketing director, as the company steps up general promotion and development of European services during the course of this year. "We envisage other franchisees being appointed, particularly in France and West Germany, where we do not at present have total coverage," she adds.

Securitor's general express parcels services should also benefit from a number of current developments involving the group's communications side. For instance, the company is involved with George Wimpey, the construction firm, in developing an automatic vehicle location system called Datatrak.

The system's main feature will be the capability to track live the whereabouts and status of collection/delivery vehicles. That will be achieved using a network of low frequency radio transmitters whose signals will be received and processed by an in-vehicle locator unit to give very high accuracy wherever the vehicle is located, in town or on the open road.

Mr Martin Roberts, Datatrak's marketing and sales director, says the ability to track live will enable companies to further improve both the efficiency and security of their vehicle operations, with the latter feature of particular interest to operators involved in high security, express and dangerous load activities.

"Datatrak presents the fleet controller with a computerised moving map display of the country showing the precise location of his vehicles. Additional data showing the status of the vehicle can also be displayed, including an emergency alarm facility which will be of great benefit in directing the emergency services to the vehicle as quickly and as accurately as possible," he adds.

Philip Hastings

TEN YEARS ago, Australian-based transport organisation TNT arrived on the UK freight scene with the acquisition of domestic parcels operator Inter County Express, a company employing 350 staff and achieving an annual turnover of around £6m.

This year, TNT will celebrate its first decade of UK operation with a wide-ranging portfolio of domestic and international express delivery services plus specialist contract distribution activities; a total workforce of close on 7,000, and a turnover now said to be running at £6m a week.

Aggressive and uncompromising in its determination to push through new developments - at the launch last year of a UK domestic business post service a spokesman said the company intended going for the Post Office supplier. TNT UK has not surprisingly left the news headlines fairly frequently during the last decade.

First came the long-running and ultimately successful battle to take over the delivery of 800 newspapers a week for Rupert Murdoch's News International group from their new printing bases at Wapping and Glasgow. Since then, TNT has won many other newspaper and magazine distribution contracts including, within the last few months, one covering much of News International's new wholesale newspaper distribution network in England.

Last year, TNT was back in the spotlight again with its widely-publicised commitment to purchase 72 British Aerospace 146Q1 jet freighters, many of them for

use in Europe. A few months later, pre-Christmas problems for UK postal services gave TNT the chance to reaffirm its previously-stated intention to take on the Post Office across a wide range of business sectors in the next few years.

Although following the philosophy of its Australian parent organisation, which is constantly looking to develop transport services to handle anything, anywhere, anytime, TNT UK has so far been particularly prominent in the field of express operations, both domestically and internationally. Mr Alan Jones, TNT UK managing director, claims the company has achieved market leadership in the UK express delivery industry.

"We intend to continue our development in the express delivery and specialist contract distribution markets in the years to come. Our aim is to achieve leadership in all our markets," he adds.

The best-known of the company's domestic activities is TNT Overnight, which offers door-to-door guaranteed next-day deliveries nationwide via a massive parcels distribution centre at Atherton in the Midlands. Launched in 1980, the product range has since been expanded to include guaranteed next morning before 9.00 hours and before noon deliveries, together with Saturday services and other options.

More recently, demand has been growing for even faster and more immediate deliveries. That has led to the development of TNT Sameday, to offer guaranteed same-day deliveries throughout the UK, and TNT Courier which handles immediate local

delivery of documents and small parcels within major centres such as London and Greater Manchester.

Another trend becoming increasingly significant in the UK express market involves moves to make services more accessible to customers by establishing points where they can put items into a delivery system. TNT has set up more than 400 parcel offices around the UK, in addition to accepting parcels for delivery via any one of the range of TNT services available, the offices can also hold parcels arriving for collection by customers, for example early in the morning before a normal TNT delivery would be made.

The parcel office network could prove significant as TNT presses ahead with the development of Supamail, a UK domestic business post system launched in 1987 to offer guaranteed delivery times for both letters and heavier items such as computer printouts and video tapes. At the moment, TNT is restricted to putting its Supamail post boxes on private premises but in the longer term it hopes to break the Post Office monopoly on general postal services and have a TNT

TNT's decade of growth

Going for the Post Office jugular

Supamail post-box on every street corner in Britain within 10 years.

Other TNT UK operations include TNT Tristar which offers a range of door-to-door economy services with a money-back guarantee of performance; TNT Transport Systems which covers storage and distribution activities; TNT Trucare which handles commercial fleet maintenance; and TNT Overseas which specialises in handling traffic off the UK mainland.

Outside the domestic arena, TNT UK has made rapid growth in intra-European express delivery services as UK exporters and importers step up their business with other Western European countries. Servicing of that market is in the hands of TNT Ipec, which offers a range of express freight delivery options via some 150 depots in Europe. Current focus of attention for Ipec is on further expansion of its next-day delivery services to add more markets and improve delivery times in areas already served. A key factor in that development is the increasing use of BAe 146 Quiet Trader jet aircraft - planes were brought into operation dur-

ing 1987 and several others are scheduled to join them in 1988 - to sustain key overnight links.

Recent Ipec developments include the launch of two new divisions to spearhead its assault on the intra-European market. One, called TNT Overnight Air Express, will concentrate on the small parcels sector of the market, offering airspeed, guaranteed, next-day, door-to-door delivery for documents and parcels throughout the Ipec network. The other division, TNT Ipec European Express, will concentrate on providing express freight road delivery services between the UK and the Continent.

To cater for the worldwide movement of documents, parcels and freight, the TNT organisation has TNT Skypak. With around 700 offices in 184 countries, Skypak now claims to be the world's largest courier company. "We operate through our own offices. The only time we use an agent is in a place where it is not legal for us to have our own office, for example the People's Republic of China where we have a joint venture operation with Sinotrans," says Mr Ivan Couchman, Skypak's regional general manager, UK and Ireland.

To meet growing customer demand for services able to offer courier-style delivery times for larger items, Skypak last year set up TNT Expressair to spearhead development at the heavier end of the international air express business - for items over 30 kilos. However, the most explosive growth at present is coming from Skypak's renewal division, TNT Mailfast, which has now established some 40 remail centres around the world. Traffic handled systemwide by Mailfast jumped from around 35 tonnes a week at the beginning of 1987 to nearly 135 tonnes by December.

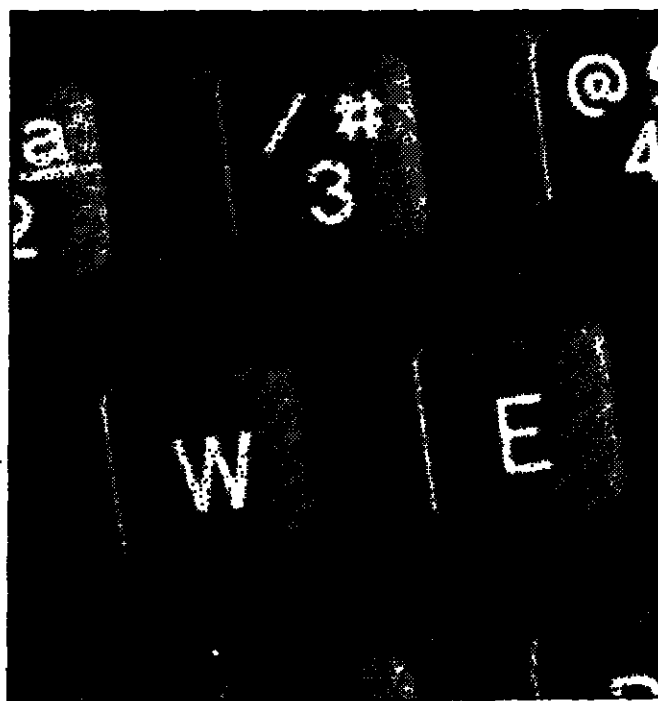
"In international mail, we now reckon to be the fourth or fifth largest postal operation in the world behind the post offices of the US, the UK, West Germany and maybe France and Japan. Within two or three years we could be second only to the US Post Office, handling perhaps 400 or 500 tonnes of overseas mail a week," claims Mr Paul Moorhouse, Mailfast's UK-based general manager.

Skypak is also taking on the Post Office authorities in the area of European same-day deliveries, having recently launched new services for documents moving between London and six other European centres.

Apart from developing an ever-broadening range of express delivery services, TNT UK is also rapidly stepping up the development of tailor-made distribution systems designed to meet customers' individual specifications. TNT Contract Services is now said to be one of the fastest-growing areas of group activity in the UK.

Philip Hastings

IT TOOK 4 PEOPLE 3 MONTHS TO DESIGN IT.
IT TOOK 8 PEOPLE 12 MONTHS TO ENGINEER IT.
IT TOOK JUST 1 PHONE CALL TO EXPORT IT THROUGHOUT EUROPE OVERNIGHT.



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By providing you with professional logistics management.

We can bring your goods from suppliers dotted around the globe, break bulk, warehouse, order pick, re-pack, and distribute within Europe at a moment's notice.

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International Air Couriers

UK-Europe services
When Continent will be almost like home

ACCELERATING moves to make the European Community one market by the mid-1990s are encouraging further substantial development of express delivery services between the UK and the Continent. Adding impetus to that trend is the likelihood that the Channel Tunnel will be built over the next few years.

The precise impact of that link on express/courier operations is difficult to determine at present, although rail-based UK express parcels operator Red Star is already looking at a number of ideas, but it will encourage more people to think of the UK and the Continent as one domestic market and demand delivery services to match.

In the meantime, current efforts to liberalise the general European airline industry should open up more opportunities for the development of air links between the UK and the Continent to speed up the movement of parcels and freight. Already, documents, parcels and even larger freight can be moved overnight between the UK and many major continental centres, particularly those in the European Community, using a combination of aircraft and road vehicle operations. Now, the race is on among express service operators to expand that overnight delivery capability to encompass larger areas.

Some operators are also beginning to develop scheduled same-day document and parcel services between key European cities. UK Post Office organisation Data-post, for example, now offers time-tabled same-day delivery services between the London area and three other European cities - Amsterdam, Paris and Dublin. Similarly, courier company TNT

Skypak recently introduced document delivery services linking the London area with Brussels, Zurich, Frankfurt, Amsterdam, Paris and Dublin. On-board couriers accompany traffic using scheduled airline flights.

Just how fast development of UK/Continent same-day and overnight delivery services will continue, though, could depend to some extent on the success of current efforts by the courier/express industry to get customs authorities in Europe and elsewhere to review their treatment



Mr David Tanner, IML Group managing director

of parcels traffic and introduce regulations to speed up clearance procedures. A recent move by the Customs Co-operation Council, which represents customs authorities all round the world, to recommend that their members accept the principle that express traffic needs special treatment seems a significant move in the right direction.

In the same context, intra-European parcels operator XP Express Parcel Systems last year took part in an experiment with French customs to reduce paperwork and cut the time taken to deliver small dutiable shipments to Germany. Under the system, XP delivered dutiable goods worth under FF2,500 with a T2 customs document, indicating that duty had been paid, anywhere in the Paris area, the morning after collection. Previously, deliveries to Germany were made only after complete several forms and obtain customs clearance.

Less encouragingly, much slower progress has been made to date in overcoming any of the fiscal barriers within the European Community which express operators maintain, threaten the continued rapid development of their services. The operators particularly want to see an acceleration of moves to harmonise VAT and other taxes within EC member states.

Commenting generally on the subject of customs and the air express industry in Europe and worldwide, Mr Brian Fitzall, managing director of DHL International (UK) and deputy chairman of the Association of International Courier and Express Companies, says the ideal free trade environment is still a long way off.

"We must, as a matter of urgency, discuss payment of duty on low value items. We would like to see customs officers available earlier in the day and more officers on duty at peak times. Also, we would like acceptance of documents in advance and simpler paperwork. The resolution of these issues will result in more rapid clearance," claims Mr Fitzall.

Most of the major express operators in the UK/Continent market now use aircraft to provide the longer haul transport. In some cases, companies use their own aircraft fleet to service the instances they send freight using scheduled airline flights. Several operators use a mixture of the two, an aspect highlighted last month when UK parcels company Securicor announced it had linked up with Irish airline Aer Lingus for a joint venture express company.

AerSecuricor, as the new company is called, will initially concentrate on the operation of UK/Ireland/Europe next-day parcels delivery services. Particularly prominent among the other operators using their own aircraft fleet to service the UK/Continent market is fast-growing TNT which is pushing ahead with the development of wide-ranging intra-European air operations using British Aerospace 146QT jet freighters able to carry up to around 10.5 tonnes of cargo on each flight. Three are already in service, two of them connecting the UK with West Germany and Sweden, and the company hopes to have a further five in operation in Europe within the next year.

Shannon to improve service coverage of the eastern side of Ireland, and West Germany.

Also very much involved with intra-European air operations are the three major US parcel companies active in that market - Federal Express, Emery Worldwide and UPS.

Federal Express, in particular, is known to be planning further substantial development of European operations this year. The company has just agreed to buy five Fokker F27 aircraft for use in Europe, two of them on routes between the UK and its main continental hub at Brussels, and over the next six months intends to open a number of new stations in West Germany, France and other European countries.

Another prominent US express operator and forwarding company, Paragon Express, is planning of using road transport links to help develop express freight services between the UK and the Continent. Mr Alan Draper, Burlington's UK managing director, says the company already runs TIE (trunk and feeder) services to 48 European cities from the UK to some 28 destinations in Europe.

"We are planning during the first half of this year additionally to launch some express delivery services. We will be looking at the development of 48-hour services from the UK to probably half a dozen markets such as West Germany, Portugal and Ireland, with further developments to include markets such as France, the Benelux and Scandinavia," he says.

Such services are likely to prove particularly attractive to shippers of freight larger than that normally catered for by the express parcels specialists. Already operating in that field are a number of European forwarders, such as Danubius, which runs a door-to-door freight system called Eurapid based on the use of road vehicles to link some 50 main depots via around 160 trunk routes. Countries covered at present include the UK, Ireland, Benelux, France, West Germany, Austria, Switzerland, Italy, Denmark and Spain.

Similarly, UK-based express delivery company Seabourne Express relies mainly on road vehicles to maintain 24-hour freight delivery services within Europe. The company is looking to make greater use of scheduled air capacity with the recent acquisition of courier operation Parol-

The race is on to expand overnight deliveries to encompass larger areas

tor Services which specialises in the handling of documents and small parcels. Conversely, many of the international courier companies which have to date been best known for the long-haul movement of documents and parcels are now looking to build up their UK/Continent and general European operations.

A good example among the UK-based couriers is IML which uses scheduled airline capacity and its own chartered aircraft to sustain overnight delivery services between the UK and Europe. "In 1988 we will become even stronger in Europe, both in terms of intra-European trade and for traffic in and out of Europe," says Mr David Tanner, IML's managing director.

Similarly, French-based courier company Jet Services is planning to open a number of offices in the UK this year to join the one already in operation at Heathrow. The company uses both air and road transport to handle the express freight of bulky items such as printed matter as well as standard courier traffic within Europe and overseas.

The planned expansion moves by Jet Services and IML highlight the fact that the UK/Continent express market is going to become ever more competitive over the next few years. Many of the principal UK domestic services operators, for example, are looking to break into the general European arena as major customers show signs of preferring to select one distribution company to handle every aspect of their express transport needs, both domestic and international. One of the nearest to making that move at present is ANC, the British & Commonwealth company, which hopes to start express services between the UK and several key continental markets in the next few months.

Other UK domestic parcels operators are expanding their existing involvements with the European market. These include Lynx Express Delivery Network through the multinational Euro-Express Consortium and rail-based organisation Red Star which is using connections with other European rail authorities to expand its Rural Express parcel and document services to the Continent. A few months ago, Red Star opened a new continental hub at Charleroi in southern Belgium and now flies European traffic out of Southampton to that hub every night. From Charleroi, parcels are distributed by rail and road to their destination.

Philip Hastings



The Federal Express "Superhub" in Memphis, Tennessee

The big sorting centres

Computerised hubs of activity

FOR MANY leading domestic and international courier/express operations, the large sorting centres that are able to process thousands of parcels and document packages an hour are the focal points. Generally known as hubs, the centres receive incoming consignments from outlying depots carried on road vehicles and aircraft, sort them and then despatch them to final destination via the same transport chain, writes Philip Hastings.

As traffic volumes have increased so has the necessity for automated sorting systems which make use of the latest in computer-based technology. Probably the most famous express parcels-sorting centre in the world is that operated by US carrier Federal Express in Memphis, Tennessee. Known as the Superhub, it employs 3,600 people to sort an average of 800,000 packages a night - most of it during a peak two-hour period around midnight - in a complex which covers 17 acres of building under roof and 40 miles of conveyor belts. Parcels are flown into and out of the hub on some 60 aircraft, most of them DC10 and Boeing 727 freighters.

On a rather smaller scale, Federal Express has a sorting hub in the UK which it inherited with the acquisition of domestic parcels company Lex Wilkinson in 1986. Located at Nuneaton in the Midlands, it is said to be already capable of handling up to 10,000 consignments an hour using a computer coding of addresses with further capacity expansion in the pipeline. A computer system is also used to monitor and trace parcels during their progress through the overall delivery system.

Apart from size, one major difference between the UK hub and its Memphis counterpart is the fact that the former relies on road vehicles rather than aircraft to feeder traffic in and out.

Largest of the sorting hubs currently in operation in the UK is probably that of TNT at Atherstone in Warwickshire. More than 15,000 parcels an hour are handled through a complex of 250,000 sq ft located on a site totalling some 19 acres. Three different computerised sorting systems are used: tilt trays handle items up to 25 kilos and 1.2 metres; tilt slats accommodate items up to 50 kilos and 1.8 metres; and a suspended Nordlift system copes with up to 700 pallets an hour at all weights. Around 200 trailers are used to feeder traffic between the hub and TNT depots around the UK.

Prominent among the other leading express parcels companies to develop a major UK hub operation is the Mayne Nickless-owned operator of TNT at Atherstone in Warwickshire. More than 15,000 parcels an hour are handled through a complex of 250,000 sq ft located on a site totalling some 19 acres. Three different computerised sorting systems are used: tilt trays handle items up to 25 kilos and 1.2 metres; tilt slats accommodate items up to 50 kilos and 1.8 metres; and a suspended Nordlift system copes with up to 700 pallets an hour at all weights. Around 200 trailers are used to feeder traffic between the hub and TNT depots around the UK.

The next major step after that, says Mr Barry Ellis, Paracel chief executive, will be to bring in a real-time computerised parcels tracking system to allow the company to find out quickly the whereabouts of any parcel in its network. That would enable it to tell a customer exactly what had happened to his parcel at any point in its transit.

In the meantime, Paracel is talking to some of its major customers - those generating more than 25,000 or 28,000 of business a week - about installing terminals in their own premises to allow them direct access to information about their parcels.

Among the latest UK parcels operators to move into a new hub is Staffordshire-based ANC. The company's new 55m, 72,000 sq ft hub is located at the Parkhouse Industrial Estate, Newcastle-under-Lyme, only three or four miles from the M6. Average throughput of the hub is now around 30,000 parcels a night. "To cope with that we have installed equipment able to handle up to 3,000 parcels an hour," says Mr David Boon, ANC group marketing director.

Focal point of the new hub is a computerised tracking system capable of monitoring and controlling the movement of parcels throughout ANC's UK national network of 64 depots and within the Parkhouse facility itself. Parcels are bar-coded at the collecting depots, with hand-held data capture devices being used to read off that information at various points during the movement from those depots, through the hub and on to depot of destination.

At the hub itself, parcels are sorted and relayed to loading stations via a gravity-fed flatbed conveyor system.

At those stations, handheld scanners are again used to check electronically that each parcel is going into the right transport cage. Once that is done, the operator tells the machine that the cage is loaded and sealed. Each cage is then electronically checked onto the correct trucking vehicle.

The next UK parcels operator to move into a new sorting hub is likely to be Bristol-based Interlink. Having reported a jump in turnover from £14m to nearly £22m and pre-tax profit up from £2.5m to £4.6m for the financial year ended June 1987, the company is this year planning to move into new 77,000 sq ft hub facilities close to its existing parcels sorting centre at Harlebury in the Midlands.

"We plan to have that up and running from August this year. It will have 70 doors and be equipped with a proper conveyor sortation system to cope with up to 12,000 parcels an hour," says Mr Mark Reddington, operations manager for Interlink. And it will incorporate the bar-coding system already used by Interlink.

"THERE IS AN ALTERNATIVE"



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